



Telstra 2 Share Offer

Appendices

to the

Public Offer Document

Description of
Shares and
Constitution

Glossary

Description of
Instalment Receipts
and Trust Deed

Interests of
Directors

Interests of Advisers

Additional Information

Appendix 1 – Additional Information

1 Interests of Directors

No director or proposed director of Telstra and no firm in which the director or proposed director of Telstra is or was at the relevant time a partner has, or has had in the two years before lodgement of the Public Offer Document and the Appendices, an interest in the promotion of, or in any property proposed to be acquired by, Telstra.

No amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director or proposed director of Telstra (or to any firm in which he or she is or was a partner), either to induce him or her to become, or to qualify him or her as, a director, or otherwise for services rendered by him or her or by the firm in connection with the promotion or formation of Telstra.

2 Interests of Advisers and Experts

Other than as set out in the Public Offer Document and the Appendices, no adviser or expert named in those documents has, or has had in the two years before lodgement of the Public Offer Document and the Appendices, an interest in the offer of instalment receipts.

Freehill Hollingdale & Page has acted as legal adviser to the Commonwealth in relation to the Telstra 2 Share Offer. The Commonwealth has paid or agreed to pay Freehill Hollingdale & Page approximately \$2.3 million for these services to the date of the Public Offer Document and the Appendices. After the date of the Public Offer Document and the Appendices, Freehill Hollingdale & Page may receive additional fees in accordance with time-based charges subject to certain limits agreed with the Commonwealth.

Mallesons Stephen Jaques has acted as legal adviser to Telstra in relation to the Telstra 2 Share Offer. Telstra has paid or agreed to pay Mallesons Stephen Jaques approximately \$1.5 million for these services to the date of the Public Offer Document and the Appendices. After the date of the Public Offer Document and the Appendices, Mallesons Stephen Jaques may receive additional fees in accordance with time-based charges subject to certain limits agreed with Telstra.

Goldman Sachs Australia LLC has acted as financial adviser to the Commonwealth in relation to the Telstra 2 Share Offer. The Commonwealth has paid or agreed to pay Goldman Sachs \$4.0 million for these services.

PricewaterhouseCoopers has acted as accounting adviser to the Commonwealth and Telstra in relation to the Telstra 2 Share Offer. The Commonwealth has paid or agreed to pay PricewaterhouseCoopers approximately \$0.9 million for these services to the date of the Public Offer Document and the Appendices. After the date of the Public Offer Document and the Appendices, PricewaterhouseCoopers may receive additional fees in accordance with time-based charges subject to certain limits agreed with the Commonwealth.

3 Consents

Written consents have been given and at the time of lodgement with the ASIC of the Public Offer Document and the Appendices have not been withdrawn, by the parties identified below on the terms stated below.

Each of ABN AMRO Corporate Finance Australia Limited and Rothschild Australia Securities Limited (trading as ABN AMRO Rothschild), Credit Suisse First Boston Australia Limited (trading as Credit Suisse First Boston) and Were Stockbroking Limited (trading as J. B. Were & Son) have given their consent to be named as Joint Global Coordinators to the Telstra 2 Share Offer in the form and context in which they are named. They have not caused or authorised the issue of the Public Offer Document or the Appendices.

Were Stockbroking Limited (trading as J. B. Were & Son) has given its consent to be named as Australian Joint Lead Manager, and each of ABN AMRO Corporate Finance Australia Limited and Rothschild Australia Securities Limited (trading as ABN AMRO Rothschild) and Credit Suisse First Boston Australia Limited (trading as Credit Suisse First Boston) have given their consents to be named as Australian Co-Lead Managers in the form and context in which they are named. They have not caused or authorised the issue of the Public Offer Document or the Appendices.

Each of ABN AMRO Corporate Finance Australia Limited and Rothschild Australia Securities Limited (trading as ABN AMRO Rothschild), Credit Suisse First Boston Australia Limited (trading as Credit Suisse First Boston) and Were Stockbroking Limited (trading as J. B. Were & Son):

- does not make, or purport to make, any statement in the Public Offer Document or the Appendices and is not aware of any statement in the Public Offer Document or the Appendices which purports to be based on a statement made by them; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Public Offer Document or the Appendices other than a reference to its name.

Ord Minnett Corporate Finance Limited has given its consent to be named as Australian Joint Lead Manager in the form and context in which it is named. It has not caused or authorised the issue of the Public Offer Document or the Appendices, or been involved in the preparation of any part of these documents except for that part where it is named as one of the Australian Joint Lead Managers. It makes no representation regarding, and takes no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

Each of Merrill Lynch International (Australia) Limited, Salomon Smith Barney Australia Securities Pty Limited, Warburg Dillon Read Australia Limited and Macquarie Equities Limited have given their consents to be named as Australian Co-Lead Managers in the form and context in which they are named. They have not caused or authorised the issue of the Public Offer Document or the Appendices, or been involved in the preparation of any part of these documents except for that part where each of them are named as Australian Co-Lead Managers. They make no representation regarding, and take no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

Each of BNP Equities (Australia) Limited, Hartley Poynton Limited and Morgan Stockbroking Limited have given their consents to be named as Australian Co-Managers in the form and context in which they are named. They have not caused or authorised the issue of the Public Offer Document or the Appendices, or been involved in the preparation of any part of these documents except for that part where each of them are

named as Australian Co-Managers. They make no representation regarding, and take no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

Goldman Sachs Australia LLC has given its consent to be named as financial adviser to the Commonwealth in the form and context in which it is named. It has not caused or authorised the issue of the Public Offer Document or the Appendices or been involved in the preparation of any part of these documents except for those parts where it is named. It makes no representation regarding, and takes no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

Freehill Hollingdale & Page, has given its consent to be named as legal adviser to the Commonwealth in the form and context in which it is named.

Mallesons Stephen Jaques has given its consent to be named as legal adviser to Telstra in the form and context in which it is named.

PricewaterhouseCoopers has given its consent to be named as accounting adviser to the Commonwealth and Telstra in the form and context in which it is named.

Each of Freehill Hollingdale & Page, Mallesons Stephen Jaques and PricewaterhouseCoopers:

- has not authorised or caused the issue of the Public Offer Document or the Appendices;
- does not make, or purport to make, any statement in the Public Offer Document or the Appendices and is not aware of any statement in the Public Offer Document or the Appendices which purports to be based on a statement made by them; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Public Offer Document or the Appendices other than a reference to its name.

Allen Allen & Hemsley and Arthur Robinson & Hedderwicks have given their consent to be named as legal adviser to the Joint Global Coordinators in the form and context in which they are named. They have not authorised or caused the issue of the Public Offer Document or the Appendices or been involved in the preparation of any part of these documents except for that part where each of them is named as legal adviser to the Joint Global Coordinators. They make no representation regarding, and take no responsibility

for any statements in or omissions from the Public Offer Document or the Appendices.

Perpetual Registrars Limited has given its consent to be named as the Instalment Receipt and Share Registrar in the form and context in which it is named. It has not caused or authorised the issue of the Public Offer Document or the Appendices or been involved in the preparation of any part of these documents except for that part where it is named as the Instalment Receipt and Share Registrar. It makes no representation regarding, and takes no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

Telstra Instalment Receipt Trustee Limited has given its consent to be named as the Trustee in relation to the instalment receipts in the form and context in which it is named. It has not caused or authorised the issue of the Public Offer Document or the Appendices or been involved in the preparation of any part of these documents except for that part where it is named as the instalment receipts Trustee. It makes no representation regarding, and takes no responsibility for, any statements in or omissions from the Public Offer Document or the Appendices.

4 Telstra's Expenses of the Offer

The Commonwealth has agreed to reimburse certain expenses relating to the Telstra 2 Share Offer incurred by Telstra. These expenses are in the nature of legal, advisory, listing and administrative fees which are presently estimated to be in the order of \$5.7 million.

5 Further Information about the Institutional Offer

The following is a summary only of the arrangements which will apply to participants in the Institutional Offer. Full details of the Institutional Offer, including bidding instructions, will be provided by the Joint Global Coordinators to participants in the Institutional Offer. Australian institutions, Stockbrokers and certain international investors will participate in the book-build. However, this Public Offer Document and the Appendices do not constitute an offer to international investors (other than New Zealand investors).

Invitation to bid

The Commonwealth invites Australian and New Zealand institutions and Stockbrokers to bid for shares in the Institutional Offer. Private clients of Stockbrokers are able to participate in the Institutional Offer but only through broker-sponsored bids that are made on their behalf by Stockbrokers. The minimum bid size is 100,000 shares and thereafter in multiples of 50,000 shares.

The Institutional Offer will be made through a global book-building process. The Institutional Offer is being managed by the Joint Global Coordinators on behalf of the Commonwealth.

The book-build will determine the level of demand for shares which will be used to determine the final price and allocations within the Institutional Offer (refer to 'Determination of the Final Price').

Submitting bids

Bids must be made between 9.00 am Sydney time on Tuesday, 5 October 1999 and the Institutional Offer close, which is 4.00 pm Sydney time on Friday, 15 October 1999, unless these dates or times are varied by the Commonwealth.

Australian and New Zealand institutions may only bid into the book through a member of the domestic syndicate. Stockbrokers who are domestic syndicate members may also bid into the book on behalf of their private clients in Australia and New Zealand. Stockbrokers who are not members of the domestic syndicate may not solicit bids from Australian or New Zealand institutions but may bid on behalf of their private clients. Stockbrokers who bid into the book on behalf of private clients must submit only a single aggregated broker sponsored bid on behalf of their private clients.

Institutional Applicants and Stockbrokers can submit specific price bids, market-relative bids and/or final price bids. Full details, including bidding instructions, will be provided by the Joint Global Coordinators to participants in the Institutional Offer.

The identity of each person making a bid must be disclosed to the Joint Global Coordinators. If a bid is made in the name of a nominee or on behalf of

another person, that fact and the name of the proposed beneficial owner must be disclosed to the Joint Global Coordinators. Any such information will be restricted to the Joint Global Coordinators and nominated representatives of the Commonwealth.

Bids can be amended or withdrawn at any time up to the Institutional Offer close. Any bid still current at that time will be irrevocable, legally binding and capable of acceptance by the Commonwealth in whole or part. Both acceptances of applications from Public Applicants and bids from Institutional Applicants will be conditional on settlement of the International Underwriting Agreement with international investors referred to in the Public Offer Document.

It is expected that confirmation of allocations will be sent to successful bidders in Australia and New Zealand on or about 17 October 1999, unless this date is varied.

Applications and payment

Full details of the settlement arrangements which will apply to bidders in the Australian and New Zealand part of the Institutional Offer will be provided to Institutional Applicants and Stockbrokers prior to the opening of the bookbuild. Settlement is expected to be conducted on a Delivery versus Payment (DvP) basis through CHESSE on 22 October 1999 or at such later date as the Commonwealth determines.

Institutional Offer allocation policy

The basis of allocating shares between participants in the Institutional Offer will be determined by the Commonwealth after consultation with the Joint Global Coordinators and the Commonwealth's Financial Adviser. There is no assurance that any investor lodging a bid in the Institutional Offer will be allocated any shares or the number of shares for which it has bid.

The Commonwealth will have reference to the substance of each bid and to the allocation criteria. The Commonwealth reserves the right to vary the final allocation to any investor following the application of the allocation criteria.

The first determinant of the allocation of shares in the Institutional Offer will be the level of the final price. Bids lodged at prices lower than the final price will receive no allocation of shares.

After disregarding bids at prices lower than the final price, the institutional allocation policy will reflect a number of factors.

Institutions holding Telstra shares, that lodge a valid bidder statement no later than 5.00 pm Sydney time on 15 October 1999 will receive an initial allocation benefit. The allocation benefit is subject to the bidder having made and not withdrawn a valid bid at or above the final price. The level of allocation benefit will be one share for every ten shares held in Telstra as at the close of the Institutional Offer or such lesser number of shares for which the institution has lodged a valid bid.

Following the provision of any allocation benefit, the balance of an institutional bid, if any, will be subject to allocation on the basis of the allocation criteria set out below.

Factors that will be regarded favourably include:

- price leadership;
- price consistency;
- quality of bids;
- bids made by long-term holders of Telstra shares;
- early lodgement of bids;
- bids by investors expected to be long-term holders of Telstra shares; and
- investor support for the offer including participation in marketing activities and providing bids indicating demand at different price levels.

Bids made by bidders who are believed to have engaged in adverse market behaviour during the book-build and bids which are believed to be significantly inflated as to volume or price may be penalised.

Other than the initial allocation benefit described above, the Commonwealth retains an absolute discretion to accept or reject all or any bids without giving reasons for its decisions.

Final price setting

After the close of the Institutional Offer, the Commonwealth will determine the final price after consultation with the Joint Global Coordinators and the Commonwealth's Financial Adviser. In determining the final price, the Commonwealth will have regard to the

level of demand for shares, prevailing market conditions, the desire for an orderly after-market, the market price of Telstra shares prior to the close of the Institutional Offer and an ownership base of long-term shareholders.

The final price is expected to be announced on or about 16 October 1999.

6 Entitlement of Nominee Holders under the Shareholder Entitlement Offer

The shareholder entitlement of one share for every five shares held will, subject to certain conditions being met, be extended to underlying beneficial holders located in Australia or New Zealand where Telstra shares are:

- registered in the name of a professional nominee or trustee (not being a trustee of a regulated superannuation fund) on behalf of the named beneficial holder;
- financed by a margin loan in favour of the named beneficial holder;
- financed by a geared equities facility in favour of the named beneficial holder; or
- the subject of an instalment warrant held by the named beneficial holder.

To be eligible, the underlying beneficial holder must be entitled to dividend and franking credits and (except in relation to instalment warrants) have the power to sell the Telstra shares. The nominee, trustee, lender or instalment warrant issuer must have a registered address in Australia or New Zealand, and must complete and lodge a prescribed form of statutory declaration evidencing the right of the beneficial holders to the shareholder entitlement with the Instalment Receipt and Share Registrar by 30 September 1999.

7 ASIC Modifications, Exemptions and Relief

The ASIC has granted a number of modifications to and exemptions from the Corporations Law in relation to the Telstra 2 Share Offer, including:

- Relief from Divisions 2, 3 and 3A of Part 7.12 of the Corporations Law in the form of modifications to and exemptions from requirements imposed by

those Divisions, subject to compliance with certain conditions. The more important aspects of this relief are:

- the Public Offer Document and the Appendices are required by the Corporations Law to contain (apart from certain formal matters and disclosures about interests of experts) only limited information being:
 - information that investors and their professional advisors would reasonably require, and reasonably expect to find in the Public Offer Document and the Appendices, for the purpose of making an informed assessment of:
 - the terms of this offer;
 - the rights and obligations attaching to the instalment receipts;
 - the capacity of the Commonwealth and the Trustee to fulfil their respective obligations in relation to the instalment receipts;
 - any material information relating to Telstra of which the Commonwealth or Telstra is aware that has not, because of its confidential or prejudicial nature, been notified to the ASX under its continuous disclosure listing rules; and
 - a statement that Telstra is subject to regular reporting and disclosure obligations and copies of documents lodged in relation to Telstra may be obtained from the ASIC, and copies of documents lodged after 1 September 1999 in relation to Telstra may be obtained from Telstra without charge;
- the Appendices may be incorporated by reference into the Public Offer Document on the basis that:
 - in relation to a part of the Appendices, the Public Offer Document contains a summary of that part or indicates what material is contained in that part (whether or not the Public Offer Document also contains a summary of that part) and the Public Offer Document contains a statement to the effect that material which the

Public Offer Document merely indicates is contained in that part and which does not appear in the Public Offer Document in full or in summary form is material of a type that the Commonwealth and Telstra believe on reasonable grounds to be primarily of interest to professional advisors and to investors with similar specialist information needs;

- the Public Offer Document includes a statement to the effect that a copy of the Appendices will be provided free of charge to a person who asks for it;
- the Appendices are lodged with the Public Offer Document; and
- the allocation policy in relation to the offer does not prejudice a person who requests a copy of the Appendices and applies to buy instalment receipts within a reasonable time having regard to the closing dates for the offering;
- a supplementary prospectus may be issued by way of newspaper advertisement which:
 - is prominently published, in at least A4 size, on the same day in at least two newspapers circulating generally throughout Australia;
 - contains the entire supplementary prospectus lodged with ASIC or a summary of it which has been approved by ASIC; and
 - if the supplementary prospectus discloses a significant change or a new matter which is likely to have a material adverse effect on the value of Telstra securities, offers applicants whose application was received prior to midnight Melbourne time on the second business day after the first publication of the advertisement, a right to withdraw his or her application before 4.00 pm local time on the date which is seven days after the first publication of the advertisement in accordance with the procedure referred to in the advertisement; and
- an application form may be despatched to certain applicants without the need for the application form to be attached to, or accompanied by, a Public Offer Document.
- Relief from section 1025 to permit market research to be conducted prior to the issue of the Public Offer Document and the Appendices in order to ascertain the number of copies of these offer documents which should be printed in order to meet demand, to whom the intended offer should be marketed, and the type and extent of marketing which should be undertaken.
- Relief from Divisions 2, 3A and 6 of Part 7.12 to permit:
 - the sending of letters prior to the issue of the Public Offer Document and the Appendices inviting members of the public to reserve a copy of the Public Offer Document;
 - a publicity campaign in relation to the reservation process;
 - the establishment of a telephone information centre in conjunction with the reservation process;
 - the sending of an acknowledgment letter to those who reserved a Public Offer Document;
 - the establishment of an Internet website concerning the reservation process, including provision for electronic acceptance of completed reservation forms;
 - the establishment of a media internet website for the purpose of providing to the media electronic information contributing to public discussion or understanding of the Telstra 2 Share Offer and related matters whether by way of explanation, rebuttal or otherwise;
 - the use of internet banner advertising; and
 - advertising at public events.
- Relief from sections 1025, 1026, 1043B(3) and 1078 to permit Government members of the Commonwealth Parliament, the Commonwealth, Telstra and their respective agents:

- to contribute to public discussion or understanding of the Telstra 2 Share Offer and related matters whether by way of explanation, rebuttal or otherwise; and
 - to communicate to employees of Telstra (and related bodies corporate) information relating to the employee share plan, participation of employees in the Telstra 2 Share Offer, matters relating to the timing of the offer and information concerning impending announcements in relation to the offer.
 - Modifying sections 1025 and 1026 to permit the Joint Global Coordinators, the Commonwealth's Financial Adviser, brokers involved in the selling syndicates for the Telstra 2 Share Offer, and their respective agents and related bodies corporate, to issue research reports in relation to Telstra, the Telstra 2 Share Offer and the telecommunications industry.
 - Relief from Divisions 2 and 3A of Part 7.12 (other than section 1020) and section 1078 to permit the Commonwealth, Telstra, and their respective agents to conduct roadshow presentations to securities licensees, securities representatives, exempt dealers, exempt investment advisers and institutional type investors.
 - Relief from sections 1020, 1021(2), 1024B(3), 1024C(3), 1024F(2), 1025(2) to enable the display of an electronic offer document and an electronic application form on the Internet. This relief was granted subject to various conditions and modifications to the Corporations Law.
 - Modifying section 1025 to facilitate television and radio advertising, post lodgement of the Public Offer Document.
 - Modifying the application of Divisions 2 and 3 of Part 7.13, in particular by defining the Trustee as the issuing body of instalment receipts, deeming transferees of instalment receipts to have agreed to have accepted instalment receipts subject to the terms and conditions of the Trust Deed and modifications to the Corporations Law to recognise the fact that the Trustee will not be listed on ASX.
 - Relief to the Trustee and any shareholder in the Trustee from the need to comply with section 615 and Part 6.7 in relation to any acquisitions of, and relevant interests in, and entitlements to, shares in Telstra which result from, or from the performance by the Trustee of its functions under, the Trust Deed. Instalment receipt holders remain subject to the provisions of Chapter 6 of the Corporations Law.
 - Relief from Divisions 2, 3, 3A and 6 of Part 7.12 of the Corporations Law to permit the Commonwealth and Telstra to prepare the Public Offer Document in alternative formats for print disabled persons.
 - Relief from Divisions 2, 3, 3A and section 1078 of the Corporations Law to permit the offer by Telstra and the offers by the Commonwealth to Telstra's eligible employees to be placed in the Employee Offer Document, and to incorporate by reference the Public Offer Document and the Appendices into the Employee Offer Document.
 - Relief from section 1020 to permit the Public Offer Document and the Appendices to be issued containing a copy signature of a director or proposed director of Telstra, despite the fact that the Public Offer Document or Appendices lodged with the ASIC may have been signed by another person on behalf of that Telstra director or proposed director.
- ASIC has given a no action letter in favour of Commonwealth Ministers, Telstra and its directors and proposed directors, the Joint Global Coordinators, underwriters and brokers to the Telstra 2 Share Offer and the officers, employees, agents, advisors, contractors and suppliers of the Commonwealth and of each of those just listed (the 'Beneficiaries'). This letter confirms that ASIC will not take action against any of the Beneficiaries in relation to breaches of section 996 and section 1002G of the Corporations Law which occur solely as a result of the offer, procuring of offers, or issue of Telstra securities while any of the Beneficiaries are in possession of the report of the review of business taxation ('Report') or information relating to the making of decisions or the formation of intentions by the Commonwealth Government about the recommendations or subject matter of the Report. The letter also confirms that ASIC will not take action against any of the Beneficiaries

in relation to breaches of the supplementary prospectus provisions of the Corporations Law applicable to the offer which occur solely as a result of the Commonwealth and Telstra failing to issue a supplementary prospectus disclosing information of the kind just described. The ASIC no action letter is subject to the following conditions:

- if during the offer period, the Government makes a decision or forms an intention in relation to any of the recommendations or subject matter of the Report and a reasonable person would expect that the decision or intention would have a materially adverse effect on the price or value of Telstra securities, then the Commonwealth and Telstra shall as soon as practicable lodge a supplementary prospectus that describes the decision or intention and so far as it is reasonably known to the Government and/or Telstra, its likely impact on the price or value of Telstra securities;
- the Commonwealth and Telstra include in the Public Offer Document or Appendices a statement to the effect that the Government is in possession of the Report and that the making of decisions or formation of intentions by the Government about the recommendations or subject matter of the Report (even before appropriate legislation is passed by the Government to give effect to such decisions or intentions) may have a material effect on the price or value of Telstra securities which may be positive or negative, depending on the nature of the decision or intention; and
- the Public Offer Document or Appendices includes an explanation of the effect of the no action letter.

The no action letter conveys a policy decision by ASIC. It does not preclude third parties from taking legal action in relation to the conduct specified, nor does it necessarily impede a court from holding that such conduct infringes the law. ASIC makes no representation that such conduct will not be held to contravene the law.

ASIC gave its relief on the basis of the information available to it at the time of its letter. It reserved the right to take action in future if there was incomplete disclosure at the time the application for the no action letter was made.

8 ASX Waivers and Clarifications

ASX has:

- (a) granted Telstra waivers from:
- the Listing Rules, other than Listing Rule 3.1, to the extent necessary to permit Telstra not to comply with those Listing Rules in relation to matters relating to instalment receipts which are within the control of the Trustee and which the Trustee has undertaken to ASX to comply with pursuant to a Quotation Application and Agreement between ASX and the Trustee, on condition that ASX is satisfied that the Trust Deed is consistent with the Listing Rules, until:
 - 2 November 2000, where the obligations of the Trustee apply to the instalment receipts generally; and
 - the final instalment is paid, where the obligations of the Trustee apply to particular instalment receipts;
 - Listing Rule 2.4 to permit Telstra to apply for quotation of only up to 49.9% of its shares;
 - Listing Rule 3.19.2 to the extent necessary to permit Telstra not to provide details of the steps that will be taken to divest securities in excess of its foreign ownership limits each time Telstra notifies ASX of a change in the level of foreign ownership, on condition that:
 - the procedures that will be followed in monitoring and enforcing foreign ownership limits are clear, are updated to take into account parallel trading of instalment receipts and shares, and are satisfactory to ASX;
 - Telstra has released the procedures to the market; and
 - Telstra includes a summary of the procedures in each annual report;
 - Listing Rule 6.24 to the extent necessary to permit Telstra to adopt a timetable different to that in Appendix 6A in respect of the payment of the final instalment on condition that the timetable adopted is acceptable to ASX management;

- Listing Rule 7.14 to the extent necessary to allow Telstra to have a record date for the final dividend of 10 September 1999 and a record date in respect of entitlements under this offer of 15 September 1999;
 - Listing Rule 7.37, to the extent necessary to permit Telstra to introduce an employee incentive plan and an executive option and share plan (together the 'Plans') without shareholder approval on condition that the Plans involve the acquisition of existing shares and not issues of new shares; and
 - Listing Rule 10.14 to the extent necessary to permit directors of Telstra and their associates to acquire securities under the Plans without shareholder approval on condition that the Plans involve the acquisition of existing shares and not issues of new shares;
- (b) confirmed that the following waivers granted to Telstra in connection with the Telstra 1 Share Offer in September 1997 continue to apply to Telstra:
- the waiver of Condition 1 of Listing Rule 2.1 and Listing Rules 6.1, 6.2, 6.8 and 6.9 to permit Telstra's constitution to state that the Commonwealth must be present at all meetings of members (subject to certain exceptions) and that the Communications Minister must be consulted about the appointment of an additional director or the appointment of a director to fill a casual vacancy;
 - the waiver of Listing Rules 3.17 and 15.7 in relation to information provided to the Commonwealth in compliance with the Company's obligations under the Telstra Act; and
 - the waiver of Listing Rule 14.2 to the extent necessary to allow the Trustee to appoint each instalment receipt holder as an attorney and for each instalment receipt holder to be able to nominate up to two persons as attorneys;
- (c) confirmed that the following views taken by ASX in connection with the Telstra 1 Share Offer in September 1997 continue to apply in favour of Telstra:
- the Trustee is not required to be listed;
 - both the instalment receipts and the underlying shares can be quoted;
 - the provisions in Telstra's constitution regarding the divestment of shareholdings in excess of foreign ownership restrictions in the Telstra Act are appropriate and equitable for the purposes of Listing Rule 6.12.3 on condition that the proposed procedures for administering the foreign ownership restrictions are not materially altered without the consent of ASX;
 - ASX will accept numbers and not percentages for pre-quotations disclosure of the holdings of the top 20 holders of instalment receipts;
 - the Commonwealth's security interest over Telstra shares underlying instalment receipts does not breach Listing Rule 6.13;
 - ASX will accept as a basis for providing a deferred settlement market, the provision to brokers of confirmed application lists, together with confirmation of the application policy instead of details of individual allocations;
 - ASX will accept the voting and dividend arrangements specified in Telstra's constitution and the Trust Deed in relation to the instalment receipt structure having regard to Listing Rules 2.1 (condition 1), 6.1, 6.8, 6.9, 6.10.3, 6.11 and 14.2;
 - the instalment receipts will be an approved security for the purposes of ASX Business Rule 2.11.3 (permitted short selling of securities) from the commencement of their official quotation; and
 - the instalment receipts will be designated as equity securities in terms of the ASX Constitution and the ASX Business Rules; and
- (d) confirmed that:
- the deferred settlement trading period may be a maximum of 15 business days; and
 - the required disclosures under Listing Rule 3.19 would relate to overall foreign ownership levels generally and would not seek to divide such disclosures between:
 - instalment receipts and shares; or
 - shares and instalment receipts subject to divestment and shares and instalment receipts not subject to divestment.

ASX has agreed with Telstra and the Trustee that instalment receipt holding statements may be despatched to successful applicants up to 10 Business Days after the date of satisfaction of the condition relating to conditional trading (being settlement under the International Underwriting Agreement). This despatch is expected to occur by 5 November 1999.

9 Quotation Application and Agreement between the Trustee and the ASX

While the Trustee will not apply to the ASX to be admitted to the official list of the ASX, pursuant to a Quotation Application and Agreement:

- the Trustee will apply to the ASX for quotation of the instalment receipts on the ASX;
- the Trustee will agree with the ASX to comply with certain Listing Rules of the ASX as if the Trustee were a listed entity; and
- the Trustee will agree to comply with other requirements of the ASX.

10 Description of Shares and Constitution

The following provides information on the shares and explains the material provisions of the constitution of Telstra. Telstra's constitution describes many shareholder rights. Because this is a summary, it does not contain all the information that is included in the constitution. The entire constitution should be read for a more complete description of shareholder rights.

Shares

The Company has 12,866,600,200 shares on issue. Because Australia has abolished the concept of authorised share capital, there is no limit on the number of shares Telstra may issue. In Australia, there is also no longer any concept of a par or nominal value for a share. This means that Telstra may issue its shares at any price.

Share registers

The Australian register of shares is electronic

All members, except those registered on the New Zealand register, are registered on the Australian register. Telstra is admitted to participate in the Clearing House Electronic Subregister System (CHESS), under the Listing Rules of the ASX and the Securities Clearing House Business Rules (SCH Business Rules). Under this system, Telstra maintains an electronic issuer-sponsored subregister and an electronic CHESS subregister. These two subregisters make up the Australian register of shares. The register of shares may be inspected without charge by a member. A copy of the register of shares may also be purchased. The Corporations Law of Australia limits the way in which the information on the register of shares may be used or disclosed by a member.

The directors may determine not to issue share certificates, subject to any requirements of any law or the Listing Rules of the ASX. Because Telstra maintains an electronic register of shares, all shareholders will receive a statement of holding upon payment of the final instalment and satisfaction of any related obligations such as payment of any duties and taxes. A shareholder will not receive a share certificate for its shareholding. The statement of holding is similar to a bank account statement and will state how many shares are owned. A shareholder will receive a new statement of holding at the end of the month if there has been a change in the holding on the register.

In the case of a holding on the CHESS subregister, the statement of holding will set out the shareholder's Holder Identification Number (HIN). In the case of a holding on the issuer-sponsored subregister, the statement of holding will set out the shareholder's Securityholder Reference Number (SRN). The HIN or SRN must be quoted when dealing with a Stockbroker or Telstra's share registrar.

The share registrar for the shares in Australia is Perpetual Registrars Limited.

The New Zealand register of shares

Persons purchasing shares in the New Zealand offer will be registered on the New Zealand register. Telstra shares will be traded and registered under the Fully Automated Screen Trading and Electronic Registration system ('FASTER'). When a person first becomes a shareholder, including upon payment of the final instalment and

satisfaction of any related obligations such as payment of any duties and taxes, that person will receive a FASTER Statement for their shareholding. A shareholder will not receive a share certificate for their shareholding. The FASTER Statement is similar to a bank statement, setting out how many shares are held as well as a FASTER Identification number ('FIN'). If a shareholder sells any shares or purchases more shares, the shareholder will receive a new statement of holding at the end of month.

Transfer of holding between the Australian and New Zealand registers

If shareholders wish to transfer holdings between the Australian and New Zealand registers, shareholders should contact the Telstra registrar for more information as restrictions may apply to movements between these registers. See 'Telstra shares are listed in Australia and New Zealand' and 'Foreign Investment and Exchange Control Regulations' for further information.

Transfer of shares

The following is a summary of how to transfer shares in Australia and New Zealand.

Transfer of shares in Australia

A shareholder may transfer shares if, in the case of an electronic transfer of shares, the transfer is in accordance with the SCH Business Rules or the rules of any other system (in which Telstra participates, and which is established or recognised by the ASX Listing Rules) or in any other case, by an instrument of transfer executed by the transferor and transferee and stamped where necessary. Telstra directors must register a transfer of shares which is in accordance with these requirements subject to the Corporations Law, the Listing Rules of the ASX, the SCH Business Rules, Telstra's constitution and any other law including the Telstra Act.

The directors may ask the SCH to apply a holding lock to stop an electronic transfer.

Transfer of shares in New Zealand

A transfer of shares in New Zealand may be by a market transfer in accordance with the electronic system for share trading established by the FASTER system or by a proper instrument of transfer in writing.

Telstra shares are listed in Australia and New Zealand

Telstra shares are listed on the ASX and the NZSE. Unless a shareholder has made special arrangements in advance with a Stockbroker, a shareholder may not be able to trade shares on an exchange other than the exchange of the country in which the relevant share register is located.

There are restrictions on the level of foreign ownership of Telstra shares

Foreign persons must not hold particular 'stakes' in the Company, if the level of foreign ownership of Telstra shares exceeds certain individual or aggregate levels.

This is because of requirements in:

- the Telstra Act;
- Telstra's constitution; and
- the instalment receipts Trust Deed.

Acquisitions of interests in Australian companies by foreign interests are also regulated by the *Foreign Acquisitions and Takeovers Act 1975* of Australia. See 'Foreign Investment and Exchange Control Regulations – Restrictions on foreign ownership' for an explanation of the restrictions.

Telstra's constitution

The following is a summary of the main provisions of Telstra's constitution which may affect shareholders.

Telstra is managed by its directors but the approval of shareholders is required for some matters

Telstra's affairs are managed by its directors. However, the approval of shareholders is required for certain important matters, such as the election of directors. As the Commonwealth will hold at least 50.1% of Telstra's issued shares after the Telstra 2 Share Offer, it will have the power to control most decisions made by shareholders.

Directors and shareholders may call a meeting

The directors may call a general meeting at their discretion. The directors must also call, and arrange to hold, a general meeting on the request of:

- shareholders who hold at least 5% of the votes that may be cast at the general meeting; or
- at least 100 shareholders who are entitled to vote at the general meeting.

A shareholder or shareholders with at least 5% of the votes that may be cast at a general meeting may call, and arrange to hold, a general meeting. The shareholders must pay the costs of calling and holding a meeting they call themselves.

Shareholders' right to attend a general meeting of shareholders and receive a notice of the meeting

A shareholder may attend and vote at a general meeting of shareholders. Telstra will send a notice of the meeting to shareholders at least 28 days before the meeting.

Shareholders' voting rights

Every shareholder may attend and vote at a meeting of shareholders in person, by proxy, by attorney, or by representative, depending on whether the shareholder is an individual or a company. Non-residents of Australia may attend and vote at meetings of shareholders.

The quorum for a meeting of shareholders is three shareholders, one of whom must be the Commonwealth. If there is no quorum present at a meeting 15 minutes after the time set for the start of the meeting, then:

- if the meeting was called by a shareholder or shareholders, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the shareholder or shareholders who called the meeting appoint by notice to shareholders and others entitled to notice of the meeting; or
- in any other case, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the directors appoint by notice to shareholders and others entitled to notice of the meeting.

At the adjourned meeting, the quorum is two shareholders, one of whom must be the Commonwealth unless the Commonwealth received written notice of the original meeting and did not attend that meeting.

The adjourned meeting is dissolved if this quorum is not present within 15 minutes of the time specified for the meeting.

Shareholders must vote on a show of hands unless a poll is called. A poll may be called either before a vote is taken, before the voting results on a show of hands are declared or immediately after the voting results on a show of hands are declared. A poll may be called by:

- the chairman of the meeting;
- at least five shareholders who may vote on the resolution;
- a shareholder or shareholders together who hold at least 5% of the votes that may be cast on the resolution on a poll; or
- a shareholder or shareholders together who hold shares conferring a right to vote at the meeting on which an aggregate sum has been paid equal to at least 10% of the total sum paid up on all shares which have that right.

If the demand for a poll is withdrawn, the vote is decided on a show of hands.

On a show of hands, a shareholder present in person or by proxy, attorney or representative has one vote and on a poll, one vote for each share held. If the vote goes to a poll, a shareholder may vote some shares for the resolution and some shares against the resolution.

An ordinary resolution is passed:

- on a show of hands, by a majority of shareholders voting for the resolution; and
- on a poll, by shareholders holding shares that represent at least a majority of the votes cast for the ordinary resolution.

A special resolution is passed:

- on a show of hands, by at least 75% of shareholders voting for the resolution; and
- on a poll, by shareholders that represent at least 75% of the votes cast for the special resolution.

The chairman has a casting (tie-breaking) vote if the chairman may vote at the meeting.

Instalment receipt holders have almost the same rights in regard to attending and voting at meetings as shareholders. Instalment receipt holders should refer to the topic 'Right to attend a general meeting of

shareholders and to receive notice of the meeting' under the section 'Description of Instalment Receipts and Trust Deed' for an explanation of how instalment receipt holders have almost the same rights as shareholders.

Dividends

Subject to any special or preferential rights attaching to shares, shareholders will receive dividends according to the number of shares held and the amount paid up on those shares. Currently, there are no special or preferential rights attaching to Telstra shares. The power to declare dividends and to fix the time for their payment is vested in the Board.

Documents to be sent to shareholders

Shareholders will receive a copy of any financial statements or other documents, which must be sent to shareholders under Telstra's constitution, the Corporations Law or the Listing Rules of the ASX.

Number of directors

At all times, Telstra must have between three and 13 directors on the board of directors. Shareholders may vote to increase the maximum number of directors.

Officers' indemnity and insurance

Telstra's constitution indemnifies each officer to the maximum extent permitted by law for:

- any liability incurred as an officer as long as the liability does not arise out of conduct involving a lack of good faith; and
- costs and expenses incurred in successfully defending civil or criminal proceedings in his or her capacity as an officer.

These indemnities are only available if the liability was incurred to a person other than Telstra or one of its related bodies corporate and the liability was incurred on or after 15 April 1994.

If an officer or employee is asked by Telstra to be a director or alternate director of a company which is not related to Telstra, Telstra's constitution indemnifies the officer or employee out of property of Telstra for any liability he or she incurs. This indemnity only applies if the liability was incurred in the officer's or employee's capacity as a director of that other company. It is also

subject to any corporate policy made by the chief executive officer. Telstra's constitution also allows Telstra to indemnify employees and outside officers in some circumstances. The terms officer, employee and outside officer are defined in Telstra's constitution.

The Company may pay an insurance premium insuring a person who is or has been a director, secretary or executive officer of Telstra or one of its related bodies corporate against certain liabilities incurred by that person in such a capacity, except for liabilities which arise out of conduct involving a wilful breach of duty to Telstra or a breach of the duty not to improperly use information or position.

Telstra may issue further shares but the Commonwealth must hold at least 50.1% of Telstra's shares

The directors may issue shares at their discretion. They must, however, act in accordance with Telstra's constitution, the Corporations Law, the Telstra Act, the Listing Rules of the ASX, any special rights conferred on holders of any shares and any direction from the Company in general meeting where shareholders have been requested to authorise an issue of shares. However, under the Telstra Act, the Commonwealth must hold at least 50.1% of Telstra's issued shares. The Commonwealth may hold less than 50.1% of Telstra's issued shares only if legislation is passed permitting it to do so.

Restrictions on foreign ownership

Telstra's constitution contains provisions designed to enable Telstra to monitor and enforce the foreign ownership restrictions. Telstra has adopted rules to implement these provisions, which bind all shareholders. These are outlined below at the section 'Foreign Investment and Exchange Control Regulations – Restrictions on foreign ownership'.

Winding up

If Telstra is wound up, any surplus assets, after paid-up capital, including credited as paid, has been repaid, will be distributed to shareholders in the following order:

- to any shareholders with special or preferential rights attaching to their shares (presently, there are none); and

- to other shareholders in proportion to the capital paid up, including credited as paid, or which ought to have been paid up, including credited as paid, at the commencement of the winding up, on their Telstra shares.

11 Description of Instalment Receipts and Trust Deed

The following information is a summary of the material provisions of the instalment receipts and the Trust Deed dated 5 September 1999 between the Commonwealth and Telstra Instalment Receipt Trustee Limited. The Trust Deed sets out many of the rights and obligations of an instalment receipt holder. This summary does not deal with the position of an interim ADR holder or of a custodian who holds instalment receipts underlying interim ADRs (or with the position of a person holding an interest in interim ADRs or instalment receipts through certain United States clearing agencies or of such clearing agencies and their custodians and participants). Copies of the Trust Deed and the constitution of the Trustee are available for inspection at Telstra's principal office at Telstra Centre, 242 Exhibition Street, Melbourne, Victoria 3000, Australia during normal working hours.

Telstra shares – two instalments

The first instalment amount is payable as set out in the Public Offer Document and these Appendices. The final instalment will be decided at the close of the offer, as described in the Public Offer Document, and will be different as between Public Applicants who still hold their instalment receipts in the same registered name when the final instalment is due and who pay on time (see the section on 'Qualifying for the Loyalty Discount'), and other instalment receipt holders. The final instalment should be paid by 5.00 pm Melbourne time on 2 November 2000. The first instalment and the final instalment must be paid in Australian dollars.

The final instalment may be prepaid

The final instalment owing on some (in minimum parcels of 150 instalment receipts) or all of a holder's instalment receipts may be prepaid by paying the relevant amount to the instalment receipt registrar. Details of acceptable methods of payment, and of how cheques are

to be made payable, will be available from the instalment receipt registrar. The instalment receipt registrar will receive the amount on behalf of the Commonwealth and will pay it to the Commonwealth.

Prepayments will **not** qualify for the loyalty discount on the final instalment available to Public Applicants who still hold their instalment receipts in the same registered name when the final instalment is due and who pay on time (see the section on 'Qualifying for the Loyalty Discount').

Prepayments will be processed in fortnightly batches, with the first batch relating to prepayments received by 5.00 pm Melbourne time on Friday, 12 November 1999 and subsequent batches relating to prepayments received by 5.00 pm Melbourne time on every second Friday thereafter, with the last date for receipt of prepayments being Friday, 1 September 2000. Where the instalment receipt registrar has received a prepayment by the relevant prepayment date and that prepayment has cleared within five business days after the relevant prepayment date, the Trustee will transfer the shares underlying the instalment receipts to the instalment receipt holder within eight business days after the relevant prepayment date. Once the shares are transferred to the instalment receipt holder, the Commonwealth's security interest will be extinguished and the instalment receipts cancelled.

The Commonwealth's transfer of shares to the Trustee and becoming an instalment receipt holder

Once an application for shares has been accepted and the first instalment has been paid, the Commonwealth will transfer the legal title to the shares to the Trustee. Subject to a security interest in favour of the Commonwealth securing the obligation to pay the final instalment, the Trustee will hold those shares on trust for the instalment receipt holder. A registered instalment receipt holder has a beneficial interest in those shares. That interest is registered on an instalment receipt register. A registered holder of instalment receipts will be regarded as the beneficial owner of the same number of shares as instalment receipts registered in the name of such instalment receipt holder on the instalment receipt register. Because the legal title to the shares is not held, that person is not a shareholder. That person

is an instalment receipt holder. In almost all respects, an instalment receipt holder has the same rights as a shareholder.

The instalment receipt register

The instalment receipt register is the only evidence of a holding of an instalment receipt and of the beneficial interest in the share underlying an instalment receipt. A copy of the instalment receipt register may be inspected or obtained (for a fee, in some cases) if an undertaking is provided regarding the use of the information obtained in inspecting, or obtaining a copy of, that register.

The instalment receipt registrar should be notified if there is a change in the name or address of the instalment receipt holder so that this change may be made to the instalment receipt register. The Commonwealth, the Trustee and the instalment receipt registrar may (but need not) act as though any notice so given has been properly reflected in the instalment receipt register (whether or not it has been), but an instalment receipt holder will only be entitled to expect that a notice so given has been properly reflected in the instalment receipt register if the instalment receipt holder has received and retained, and produces, a confirmation to that effect from the instalment receipt registrar.

Neither the Trustee nor the instalment receipt registrar will recognise any trust and, therefore, no trust will be entered upon the instalment receipt register.

The Australian instalment receipt register is electronic

Everyone acquiring instalment receipts pursuant to the Telstra 2 Share Offer other than those applying in the portion of the offering made in New Zealand will be recorded on the Australian instalment receipt register. Most transfers of instalment receipts on the Australian instalment receipt register will be handled electronically through CHES. See the section on 'Description of Shares and Constitution' for an explanation of this system.

The Trustee may determine not to issue certificates for instalment receipts. It has been determined that certificates will not be issued for instalment receipts on the Australian instalment receipt register. Instead, a statement of holding will be sent advising of the number of instalment receipts held. If instalment receipts are sold

or if more instalment receipts are purchased, a new statement of holding will be sent at the end of the month. An additional statement of holding may be purchased at any time.

For an instalment receipt holder holding on the CHES subregister, the statement of holding will set out the HIN. For an instalment receipt holder holding on the issuer-sponsored subregister, the statement of holding will set out the SRN. The HIN or SRN must be quoted when dealing with a Stockbroker or the instalment receipt registrar.

The instalment receipt registrar in Australia is Perpetual Registrars Limited who is also Telstra's share registrar in Australia.

The New Zealand instalment receipt register is electronic

Persons purchasing shares under the New Zealand offer will be registered on the New Zealand instalment receipt register. Instalment receipts and (after payment of the final instalment) Telstra shares on this register will be traded and registered under the Fully Automated Screen Trading and Electronic Registration system ('FASTER'). Under the FASTER system, holders of instalment receipts will be mailed a FASTER Statement similar to a bank statement, setting out the number of instalment receipts that have been allotted to them as well as a FASTER Identification number ('FIN'). Holders of instalment receipts will not receive certificates for the instalment receipts. Instalment receipt holders will receive subsequent statements showing any change in their holding.

Restrictions relating to foreign ownership limits may prevent instalment receipts being removed to, or remaining on, the New Zealand instalment receipt register. See 'Foreign Investment and Exchange Control Regulations'.

The transfer or sale of instalment receipts is subject to the terms of the Trust Deed

Some or all of a holding of instalment receipts may be transferred to another person, subject to the terms of the Trust Deed.

The Trust Deed provides that instalment receipts may be transferred by:

- a Proper SCH Transfer (an SCH-regulated transfer effected in accordance with the SCH Business Rules);
- a Sufficient Transfer (as defined in the Corporations Law);
- an electronic transfer under the NZSE's FASTER system;
- a written instrument of transfer in the form in the schedules to the Trust Deed or in any other form approved by the Trustee (a number of standard forms of transfer used in Australia and New Zealand have been approved by the Trustee for this purpose); or
- any other method of transfer of marketable securities which is introduced by the ASX or SCH or operated in accordance with the ASX Listing Rules or SCH Business Rules and recognised under the Corporations Law and approved by the Trustee.

The Trustee may, in the case of a transfer other than an Proper SCH Transfer, direct the instalment receipt registrar to refuse to register any transfer of instalment receipts where the ASX Listing Rules applying to the Trustee and the instalment receipts or the SCH Business Rules permit such refusal.

If some or all of a holder's instalment receipts are transferred and the transfer is registered on the instalment receipt register before the later of 7.00 pm Sydney time on, or the time at which various scheduled processing and system administration tasks are completed by the SCH in respect of, 20 October 2000, the person to whom the instalment receipts are transferred will have to pay the final instalment.

In addition, the person to whom instalment receipts are transferred automatically agrees to be bound by the Trust Deed and the instalment receipts as soon as they take a transfer of instalment receipts. If the ASIC modification of the Corporations Law to the effect that transferees of instalment receipts are bound by the terms of the Trust Deed is varied or revoked, any off-ASX transfer must be accompanied by a deed of acknowledgement executed by the transferee or equivalent. Such an ASIC modification has been obtained and is in force.

Instalment receipts to be listed on the ASX and the NZSE

The Trustee will apply to list the instalment receipts on the ASX and the NZSE.

There are restrictions on the level of foreign ownership of Telstra

Foreign persons must not hold particular 'stakes' in Telstra. See the topic 'There are restrictions on the level of foreign ownership of Telstra' in the section on 'Description of Shares and Constitution' and the section on 'Foreign Investment and Exchange Control Regulations' for an explanation of the restrictions.

Trust Deed

The following is a summary of the material provisions of the Trust Deed relating to the instalment receipts. These provisions are set out in the Trust Deed. The Trust Deed should be read if more information is needed.

Calling meetings

Instalment receipt holders may call, or require the calling of, a meeting of Telstra members in a similar way to the way in which shareholders may do so. See 'Description of Shares and Constitution' for more information. However, if instalment receipt holders wish to call, or require the calling of, a meeting, they must ask the Trustee to do so on their behalf because the Trustee is the legal owner of the shares underlying the instalment receipts. The Trustee must act on the instalment receipt holder's written instructions.

Right to attend a general meeting of shareholders and to receive notice of the meeting

Holders of instalment receipts have similar rights to shareholders to attend and vote at a general meeting of Telstra shareholders including the Annual General Meeting to be held on 12 November 1999.

The Trustee will direct the instalment receipt registrar to make arrangements with Telstra and the share registrar to ensure that, so far as practicable, the share registrar sends to the instalment receipt holder any notice of meeting of

shareholders at the same time and in the same manner it sends that notice to shareholders. However, because of the timing of the Telstra 2 Share Offer, the instalment receipt holder will not receive a notice of meeting for the Annual General Meeting to be held on 12 November 1999.

See section ‘Description of Shares and Constitution’ for more information.

As an instalment receipt holder is not strictly a shareholder, the Trust Deed sets out a procedure that the Trustee must follow to ensure that a holder of instalment receipts may attend and vote at a general meeting as if the holder were a shareholder. That procedure may be summarised as follows:

- Telstra will fix a time which is approximately 48 hours before the general meeting as the record time for determining which persons are shareholders who may attend and vote at the general meeting. The Trustee will be one of these shareholders;
- at the later of 7.00 pm Sydney time on, or the time at which various scheduled processing and system administration tasks are completed by the SCH in respect of, the day two business days before the record time, persons still on the instalment receipt register will be entitled to be appointed as the Trustee’s attorney for the meeting; and
- as the Trustee’s attorney, an instalment receipt holder may exercise the votes attached to the shares that the Trustee holds on the holder’s behalf. An instalment receipt holder may also appoint up to two persons to attend and vote at the meeting on such holder’s behalf. If an instalment receipt holder appoints such a person, they will be known as the holder’s ‘sub-attorney’. When an instalment receipt holder receives the notice of meeting, the instalment receipt holder will also receive a form for the nomination of a sub-attorney. If an instalment receipt holder wishes to nominate a sub-attorney, the instalment receipt holder must lodge this form with Telstra by 5.00 pm Melbourne time, at least two business days before the last day set by Telstra for the receipt of proxies for the meeting.

The provisions of the Trust Deed regarding voting remain valid even if the instalment receipt holder does not receive notice of any meeting or a form for nomination of sub-attorneys.

Dividends

If Telstra declares or pays a dividend (other than by way of bonus issue), the Trustee must:

- if the dividend is to be paid wholly or partly in cash, direct Telstra to pay the cash part of the dividend directly to the holder of the instalment receipt according to the number of instalment receipts registered in such holder’s name; and
- if the dividend is not wholly in cash, take all reasonable steps (as defined in the Trust Deed) to cause the non-cash part of the dividend to vest in the instalment receipt holder. The Trustee is not required to take steps which are unlawful or impracticable or which may involve unindemnified expense to the Trustee or which may potentially expose the Trustee to liability.

The Trustee will take all reasonable steps (as defined in the Trust Deed) to require that the payment of any dividend to the instalment receipt holder is made at the same time and in the same manner as Telstra pays dividends to shareholders.

Payments will be made to an instalment receipt holder if that holder is on the instalment receipt register at the relevant time. See ‘The Trustee will set record dates’ for more information.

The Trustee is not responsible to the instalment receipt holder for any neglect or default on Telstra’s part in relation to dividends.

Tax may be withheld from dividends and other distributions. See the section ‘Taxation’ for more information.

If Telstra pays a dividend and there is a question of whether that dividend belongs to the instalment receipt holder or forms part of the Commonwealth’s security interest over the shares, the Trustee will need to assess the situation and determine who the dividend belongs to. It will apply the same principles as it will apply to an accretion that is not specifically provided for in the Trust Deed. In that case, the Trustee will determine whether the accretion is an addition to or a replacement of the

share. If it is an addition to or replacement of the share, the Trustee will hold the accretion on trust in the same way that it holds the security interest in the shares. If the accretion is an incident of the beneficial interest which the instalment receipt holder holds, the Trustee will take reasonable steps (as defined in the Trust Deed) to transfer the accretion to the instalment receipt holder or, if that is not possible, it will hold the accretion for such holder's benefit in the same way that it holds the holder's beneficial interest.

The Trustee will set record dates

The Trustee will fix a record date whenever Telstra proposes to:

- pay a cash dividend;
- make any other cash or non-cash distribution; or
- issue rights in regard to the shares.

This is the date on which the instalment receipt holder will need to be registered on the instalment receipt register in order to receive the dividend, distribution or rights. This date will, to the extent practicable, be the same as the record date fixed by Telstra for shareholders except in the case of meetings where the record date for determining who is entitled to vote at the meeting will be two business days before the record date for shareholders. See the topic 'Right to attend a general meeting of shareholders and to receive notice of the meeting' in this section for an explanation of the record date for meetings.

Documents to be sent to instalment receipt holders

The rights of instalment receipt holders in this regard are the same as for shareholders, except that such holders will not receive a notice of Annual General Meeting to be held on 12 November 1999. See the section 'Description of Shares and Constitution' for more information.

Participation in a new issue of shares

If Telstra makes an offer to shareholders to participate in a new issue of shares or other securities (other than a bonus issue), the Trustee is not obliged to respond to that offer or, if it is renounceable, to dispose of it. The Trustee will seek advice and if that advice is that reasonable steps

(as defined in the Trust Deed) can be taken to confer the benefit of the offer on the instalment receipt holder as an instalment receipt holder, the Trustee will take those reasonable steps. Any securities received by an instalment receipt holder under a new issue could not be sold by the Trustee if the instalment receipt holder failed to pay the final instalment.

No mortgage or charge on the shares underlying instalment receipts

As discussed below, the Trustee may sell some or all of the shares underlying the instalment receipts of a holder if the final instalment is not paid. This is because the Commonwealth has a 'security interest' over the shares. The instalment receipt holder cannot create any encumbrance, such as a mortgage or a charge, over the shares the Trustee is holding on such holder's behalf. In addition, the instalment receipt holder cannot do anything which would have the effect of giving another person any right over the shares until the final instalment has been paid and the Trustee has transferred the shares to the holder. For this reason, the Trustee and the instalment receipt registrar will not recognise or give effect to any encumbrance over the beneficial interest in, or the future right to receive, the shares underlying the instalment receipts.

Payment of any duties and taxes on instalment receipts or shares

If the Trustee receives a demand or an assessment relating to an instalment receipt holder, an instalment receipt holding or shares underlying an instalment receipt holding from a revenue or other authority for any duties and taxes or becomes aware that it may be liable to pay such duties and taxes, then if the Trustee is advised that it must pay that amount, the instalment receipt holder must pay that amount to the Trustee upon demand.

If the instalment receipt holder does not pay the amount demanded by the Trustee in the manner and within the period set out in the notice provided by the Trustee, the Trustee may take action to recover that amount as a debt due from the instalment receipt holder. It may choose to sell all or any of the holder's instalment receipts or, if the Commonwealth directs, the shares to which those instalment receipts relate. If the Trustee sells the shares relating to the instalment receipts, the instalment receipts

will be cancelled. In either case, the proceeds of the sale will be applied in accordance with a priority order set out in the Trust Deed.

The instalment receipt holder is not responsible for 'Excepted Duties'. This is stamp duty on the transfer of the shares from the Commonwealth to the Trustee and from the Trustee to the instalment receipt holder after the final instalment is paid and on constitution of the trusts on which the shares are held.

Payment of the final instalment

An instalment receipt holder will receive a reminder notice approximately five weeks before the final instalment is due. The reminder notice will be sent to the address recorded against the name in the instalment receipt register. See generally the topic 'The instalment receipt register' in this section.

So that the Commonwealth can determine who must pay the final instalment, Telstra will ask the ASX to suspend trading of the instalment receipts on or about 12 October 2000. The person on the instalment receipt register at the later of 7.00 pm Sydney time on, and the time at which various scheduled processing and system administration tasks are completed by the SCH in respect of 20 October 2000, will have to pay the final instalment. This is so even if the reminder notice is not received.

Upon payment of the final instalment, the Trustee will transfer the shares

If the final instalment is paid by 5.00 pm Melbourne time on 2 November 2000 and the payment is cleared by 5.00 pm Melbourne time on 15 November 2000, the Trustee will transfer the shares to the instalment receipt holder within 12 business days (or a longer period if the ASX permits) of 2 November 2000.

If the funds sent to pay for the final instalment are not cleared by 5.00 pm Melbourne time on 15 November 2000, the Trustee will transfer the shares to the instalment receipt holder as soon as practicable after those funds are cleared.

When the Trustee transfers the shares, the instalment receipts will be cancelled. At that point, the former instalment receipt holder will become an ordinary shareholder.

The shares underlying the instalment receipts may be sold if there is a failure to pay the final instalment and payment of interest and other charges may be required

If an instalment receipt holder defaults in paying the final instalment, such holder will have to pay interest on the amount of the final instalment.

Interest will be calculated at 12% per annum.

If an instalment receipt holder defaults in paying the final instalment, the Trustee may sell some or all of the shares underlying the holder's instalment receipts. This includes all dividends, rights or other benefits accruing or received on the shares after 2 November 2000.

The Trustee will apply the proceeds of sale of the shares sold in the following order:

- in payment of the costs and expenses of the Trustee in attempting to recover the final instalment from the instalment receipt holder (including the costs associated with the giving of default notices demanding payment, at a minimum cost of \$50 per notice given to the holder – one or more such notices may be given to the holder);
- in payment of the costs and expenses incurred in the sale of the relevant shares (plus a \$50 administration charge);
- in payment of any duties and taxes relating to the relevant shares or instalment receipts;
- in payment of interest on all the above amounts and on the final instalment;
- if only some of the shares for which the instalment receipt holder has not paid the final instalment are sold, in payment to the Commonwealth of the above amounts owing in respect of the remaining shares; and
- in satisfaction of the final instalment due by the instalment receipt holder.

The instalment receipt holder will receive the balance.

If the proceeds of the sale of the shares are insufficient to cover the above amounts, the instalment receipt holder remains liable for the shortfall. The Trustee must take

action against the instalment receipt holder to recover the shortfall unless the Commonwealth instructs it to cease that action. The Commonwealth can also take recovery action against the instalment receipt holder directly.

Powers and duties of the Trustee and limits on its liability

All the powers and duties of the Trustee are set out in the Trust Deed. Generally, the Trustee is only liable to the instalment receipt holder for the value of the interest in the shares to which the instalment receipts relate. However, the Trustee may be liable to the instalment receipt holder for a greater amount if it is guilty of gross negligence or fraud.

The Trustee is not liable for failing to do anything that it is forbidden from doing by any law or other requirements by which it is bound, or for doing anything that it is required to do under those laws or requirements.

The Trustee may delegate various tasks and may rely on various persons and things.

The Trust Deed contains provisions designed to enable the Trustee to monitor and enforce the foreign ownership restrictions. The Trustee has adopted rules to implement these provisions, which bind all instalment receipt holders. These are outlined below in the section 'Foreign Investment and Exchange Control Regulations'.

Events concerning Telstra

The Trust Deed has provisions which deal with the duties of the Trustee if:

- a takeover bid is made for Telstra;
- a takeover bid is made for instalment receipts;
- Telstra subdivides, consolidates or reconstructs Telstra shares;
- Telstra reduces its capital. If it is a return of capital, the Commonwealth will receive the return and the final instalment will be reduced accordingly;
- Telstra makes a buy-back offer for shares. The Trustee may accept only buy-back offers where the buy-back price is equal to or exceeds the final instalment and the instalment receipt holder directs the Trustee to accept the offer. In that case, the

Trustee will direct Telstra to pay the final instalment to the Commonwealth and any balance will be paid to the instalment receipt holder; or

- Telstra makes a bonus issue or Telstra shareholders receive rights under a scheme of arrangement. If the benefits received relate solely to the instalment receipt holder's beneficial interest and do not impair the Commonwealth's security interest, the Trustee will take reasonable steps (as defined in the Trust Deed) to transfer them to the holder. Otherwise, they will be treated as an accretion to the Commonwealth's security interest.

The Trust Deed may be amended by the Commonwealth and the Trustee

The Trust Deed may be amended by a supplemental deed between the Commonwealth and the Trustee.

However, any amendment must not:

- impair the right of any instalment receipt holder to enjoy the beneficial interest in the shares before the instalment receipt holder pays the final instalment;
- impair the rights of any instalment receipt holder to receive a transfer of the shares once the final instalment is paid;
- vary the date for payment of the final instalment or vary the amount of the final instalment; or
- remove the right to receive dividends unless that amendment results from an event, transaction or resolution by, or concerning, Telstra.

The Trust Deed is governed by the law of the Australian Capital Territory

The Trust Deed, except for clauses 48.1 and 48.4 (Interim ADR Holders and Direct Participant Beneficial Holders bound and Locus of Interim ADR Facility and DTC Arrangements), is governed by the law of the Australian Capital Territory (ACT). The courts of the ACT shall have non-exclusive jurisdiction to settle any dispute, action, claim, suit or proceeding relating to the Trust Deed, the Commonwealth's security interest or the beneficial interest in the shares underlying the instalment receipts. The instalment receipt holder is deemed to have submitted to the non-exclusive jurisdiction of the courts of the ACT.

The instalment receipt holder is also deemed to have irrevocably waived any immunity that the instalment receipt holder may now or in the future have in regard to the holder's obligations under the Trust Deed.

Nothing in the above clauses limits the right of the Commonwealth or the Trustee to recover unpaid amounts from the instalment receipt holder or to take any proceedings against such holder in any manner permitted by law or in any court having jurisdiction. Even if the Commonwealth or the Trustee takes proceedings in one jurisdiction, it may still take proceedings in another jurisdiction, whether concurrently or not.

While the Trust Deed is governed by the law of the ACT, interim ADR holders are also bound by the terms and conditions of the Trust Deed by becoming a registered interim ADR holder. The provisions of the Trust Deed relating to interim ADRs are governed by the laws of the State of New York. Similar provisions exist in relation to participants in certain United States clearing agencies.

Other provisions

The Trust Deed also contains the following miscellaneous provisions.

- the Commonwealth may remove the Trustee if it appoints a wholly-owned Commonwealth company as the new Trustee. A court may be able to remove the Trustee in some circumstances;
- the Commonwealth must pay all expenses of the Trust. However, the instalment receipt holder must pay any expenses of the sale of shares arising from enforcement action taken by the Commonwealth to recover the final instalment and certain other costs and charges;
- the Commonwealth indemnifies the Trustee for all liabilities arising from the performance of its responsibilities under the Trust Deed;
- if the Trustee takes action to recover amounts owing by instalment receipt holders to the Commonwealth, the Trustee acts as the Commonwealth's agent. It must have regard solely to the Commonwealth's interest so far as the law permits;
- there are provisions that limit an instalment receipt holder's ability to affect the timing and manner of the sale of shares or instalment receipts;

- the Trustee may provide information it has to Telstra and the Commonwealth. Information provided by the instalment receipt holder in the application for shares may be provided by the Commonwealth to the Trustee;
- the Trust Deed contains provisions dealing with the situation where the Trustee is obliged by law or court order to dispose of the shares underlying the instalment receipts and dealing with circumstances where rights attaching to shares are cancelled or suspended or shares become vested in a third party or authority under any law, court order or otherwise;
- joint holders of instalment receipts owe the obligations imposed on them under the Trust Deed jointly and severally;
- an instalment receipt holder must make all payments required to be made by it by cleared payment without deduction of any kind and free of any counter-claim or set-off;
- there are general provisions in the Trust Deed which allow changes to times and dates to avoid administrative difficulties. However, the date for payment of the final instalment cannot be changed; and
- instalment receipts may be cancelled by agreement with their holder and the relevant shares retransferred to the Commonwealth if the Commonwealth has repaid the first instalment.

12 Memorandum of Understanding

The Commonwealth, the Trustee, Telstra and Telstra ESOP Trustee Pty Ltd have entered into an agreement that deals with administrative arrangements in regard to instalment receipt holdings, foreign ownership restrictions and Telstra's employee share ownership plans.

These administrative arrangements include:

- direct payment of dividends to the instalment receipt holders and, if they are entitled to dividends, to Telstra employees;
- sending instalment receipt holders and Telstra employees directly, financial statements, reports and notices which are sent to Telstra shareholders;
- transfer of entitlements, offers and other benefits to instalment receipt holders and Telstra employees;

- facilitating the right of an instalment receipt holder and Telstra employees' rights to attend and vote at meetings;
- conduct of the instalment receipt register in conjunction with the share register and Telstra's employee share ownership plans' registers; and
- facilitating the operation of the foreign ownership restrictions and related rules.

13 Impact of Superannuation Legislation Amendment Bill (No. 4) 1999 on Superannuation Funds Wishing to Apply for Instalment Receipts

The *Superannuation Industry (Supervision) Act 1993* (Cth) prohibits a regulated superannuation fund from holding or acquiring in-house assets which exceed prescribed percentages.

The Superannuation Legislation Amendment Bill (No.4) 1999 (Cth) ('Bill'), introduced into the House of Representatives on 11 August 1999, extends the definition of in-house asset to include an investment by a superannuation fund in a 'related trust' of the fund.

A 'related trust' will include a trust where the fund's standard employer sponsor and its 'Part 8 associates' or a fund member and his or her 'Part 8 associates' have a fixed entitlement to more than 50% of the income of the trust.

A successful application by a superannuation fund for an instalment receipt will cause the fund to acquire an interest in a separate, individual trust ('instalment trust') and the superannuation fund trustee will have an entitlement to all of the trust's income. Under some circumstances, this may result in the instalment trust being a 'related trust' of the fund, regardless of the fund's relationship with Telstra.

On 1 September 1999, the Government announced in a press release that it will introduce an amendment to the Bill. This amendment will ensure that Telstra instalment trusts and similar arrangements are not treated as related trusts where an investment in the security (i.e. Telstra share) underlying the instalment receipt or similar arrangement would not be an in-house asset of the investing fund.

14 Qualifying for the Loyalty Discount

Subject to limited exceptions, the discount on the final instalment will only apply to instalment receipts purchased by Public Applicants under the offer and held in the *same registered name* until the final instalment is due on 2 November 2000. The discount will not apply to instalment receipts purchased after trading commences. The discount will also not apply to Public Applicants who make early payments of the final instalment. The number of instalment receipts purchased in the offer to which the discount applies will be the lowest number held in the same registered name at any time between the date of issue and the date the final instalment is due.

The *same registered name* requirement means that, for example, the discount will be lost if:

- there is a voluntary change in joint ownership arrangements; or
- where instalment receipts are registered in the name of a nominee, trustee or other party (such as a margin lender), there is a change in the nominee, trustee or third party on the register or a transfer to the beneficial holder (as the registered holder details have changed, the loyalty discount is lost in these circumstances despite the fact that the underlying beneficial ownership remains unchanged).

The exceptions to this 'same registered name' rule are:

- a *bona fide* change of name of the registered holder (e.g. by deed poll or on marriage);
- a transmission to a legal personal representative (e.g. an executor or administrator) of a deceased holder pending final administration of the holder's estate;
- a transmission from a deceased holder to a beneficiary (either directly or via the legal personal representative of the deceased);
- a transfer to the surviving joint holder(s) where a joint holder dies;
- a transfer as a result of a court order or relevant legislation e.g. following a marriage dissolution (although the Commonwealth reserves the right to assess each such transfer to determine if it is legitimately out of the control of the original holder);

- an amendment to the register to correct certain registry or broker errors;
- where two or more separate holdings that are each entitled to the discount are amalgamated into one holding and the Commonwealth is satisfied that the registered holder is the same as before amalgamation;
- conversion of holdings registered in the same name but with different account designations into a single holding in the same registered ownership provided all holdings were entitled to the discount;
- a holder changes their CHESSE sponsor;
- a holder changes from registration on the Australian register to registration on a register outside Australia; and
- a transfer from the Trustee of the Telstra employee share plan to a former Telstra employee in accordance with the Telstra Employee Share Ownership Plan following termination of employment.

Any change of registered holdings that does not fall within one of the above exemptions will not be eligible for the loyalty discount unless the Commonwealth, in its discretion, decides to extend the above categories.

The Commonwealth may request documentary proof from a person seeking to rely on an exemption. The Commonwealth may request that such documentary proof comprise original documents, certified copies of original documents or statutory declarations.

15 Foreign Investment and Exchange Control Regulations

Absence of exchange controls

The Reserve Bank of Australia does not currently inhibit the import and export of funds, and no approval is currently required for the movement of funds in and out of Australia. However, payments to or from (or relating to) Iraq, its agencies or nationals, the Government of Libya or any undertaking owned or controlled by Libya or its agencies or the authorities of the Federal Republic of Yugoslavia (Serbia and Montenegro) or their agencies may not be made without the specific approval of the Reserve Bank of Australia.

Accordingly, at the present time, remittances of any dividends, interest or other payment by Telstra to non-Australian holders of its securities are not, subject to the above, restricted by exchange controls or other limitations.

Restrictions on foreign ownership Telstra Act

The Telstra Act provides that an 'unacceptable foreign-ownership situation' will exist in relation to Telstra if all 'foreign persons' and their 'associates' hold, in total, a 'particular type of stake' in Telstra of more than 35 % of shares held by persons other than the Commonwealth, the 'aggregate limit', or if any foreign person and its associates hold a particular type of stake in Telstra of more than 5% of shares held by persons other than the Commonwealth, the 'individual limit'. 'Foreign person', 'associate', 'group', 'particular type of stake', 'direct control interest' and 'interest' in a share are all defined in the Telstra Act and are summarised below under 'Definitions'.

Where an acquisition of shares or interests in shares in any company results in:

- an unacceptable foreign ownership situation in relation to Telstra;
- an increase in the total of any type of stake held by any group of foreign persons in Telstra where there exists a breach of the aggregate limit; or
- an increase in any type of stake in Telstra held by any foreign person who is already in breach of the individual limit;

and the person acquiring the shares knew or was reckless as to whether the acquisition would have that result, that person is guilty of an offence punishable on conviction by a fine not exceeding \$44,000.

The Communications Minister or Telstra may apply to the federal court for remedial orders where an unacceptable foreign ownership situation exists, including orders requiring the disposal of shares, restricting the exercise of rights attaching to shares or prohibiting or deferring receipt of sums due on shares. In addition, Telstra are required under the Telstra Act to take all reasonable steps to ensure that an unacceptable foreign ownership situation does not exist in relation to Telstra.

Telstra's constitution and the Trust Deed contain provisions to enable Telstra and the Trustee (while instalment receipts remain on issue ('the IR period')) to monitor and enforce the foreign ownership restrictions. Telstra has adopted rules to implement these provisions, which bind all shareholders. These are outlined below. They may be amended at any time by resolution of Telstra's board. The Trustee has published procedures regulating foreign ownership of instalment receipts which parallel Telstra's rules and which will bind all instalment receipt holders. The Trustee will be obliged to comply with such guidelines under the Trust Deed and may only change them at the relevant Minister's direction.

On or after registration of a transfer or transmission application for a share or an instalment receipt, when the acquirer first becomes a shareholder or instalment receipt holder, the acquirer must generally notify Telstra or the Trustee (during the IR period), whether it is either:

- a person with an interest in a share or an instalment receipt who is either a foreign person or an associate of a foreign person; or
- a person who holds a share or instalment receipt in which a foreign person or an associate of a foreign person has an interest (in either case, a 'foreign holder').

The information derived from these notifications will be reflected in a register by means of a foreign coding. Telstra may include in its register, information relating to foreign ownership recorded in the foreign ownership register of instalment receipts maintained by the Trustee. The rules and procedures permit Telstra and the Trustee to maintain a joint foreign register of shares and instalment receipts.

Systems have been established for shares or instalment receipts traded on the ASX so that notifications are given by brokers as part of routine provision of ASX settlement information (the ASX systems). Each of the Interim ADR custodian and the ADR custodian under the interim ADR and ADR facilities are automatically treated as foreign holders for the purposes of the constitution and the Trust Deed, as are all purchasers of shares and instalment receipts in the international offering and New Zealand purchasers in the Australian offering and holders of shares or instalment receipts on

the New Zealand branch share or instalment receipt registers. All purchases of instalment receipts in the international offering (including the New Zealand offering) will also be automatically treated as foreign holders. In the case of other transfers or transmission applications, the onus is on the acquirer to notify Telstra if it is a foreign holder.

All shares or instalment receipts held by foreign holders will be treated as foreign unless the holder:

- notifies that some of its shares or instalment receipts are ones in which a foreign person or associate of a foreign person has an interest (foreign shares or instalment receipts) whereas others are not; and
- either:
 - divides its holding into separate HINs or SRNs under the ASX's CHESS system, one for foreign shares or instalment receipts and one for shares or instalment receipts which are not foreign; or
 - agrees to provide bi-monthly notices indicating the breakdown of its holding into foreign and non-foreign shares or instalment receipts.

Where a person has notified the Trustee that it is a foreign holder with respect to instalment receipts, the rules permit Telstra to treat that person as a foreign holder with respect to shares. The Trustee may also treat a foreign holder of shares as a foreign holder with respect to instalment receipts under its procedures.

The constitution and rules also contain provisions permitting Telstra to send notices to registered holders of shares with a view to determining whether they are foreign holders or not, and requesting details of any foreign persons or associates of foreign persons having interests in the relevant shares, and any other information relating to foreign ownership which may be requested. Such notices must be answered within 30 days. Under the Trust Deed, the Trustee has similar powers with respect to registered holders of instalment receipts during the IR period. The rules and procedures permit Telstra and the Trustee to send notices jointly.

If Telstra determines, as a result of information obtained from the notifications and responses to notices referred to above, that an unacceptable foreign ownership situation exists in relation to Telstra, there is power under Telstra's constitution to require divestment of shares to remedy this situation. Under the Trust Deed the Trustee

has power to direct the disposal of instalment receipts in the same circumstances in which Telstra would otherwise direct the Trustee to dispose of shares to remedy the situation. The rules permit Telstra to direct the Trustee to require divestment of instalment receipts in such circumstances. In exercising these divestment powers, Telstra and the Trustee are entitled to rely on foreign codings in the relevant register and upon the notifications and responses to notices referred to above. Telstra and the Trustee will notify the ASX, NZSE and NYSE if the level of foreign codings comes within five percentage points of the aggregate limit, and after that at one percentage point intervals.

The divestment powers are broadly framed, and Telstra, the Trustee and their directors are not liable to shareholders or instalment receipt holders for the manner of their exercise.

If Telstra or the Trustee believe that the individual limit has been breached, Telstra or the Trustee may require that any shareholder or instalment receipt holder respectively whose shares or instalment receipts are believed to form part of the contravening 'stake' be divested within 30 days of the date a notice requiring divestment (disposal notice) is given.

If Telstra believes the aggregate limit has been breached, the rules currently provide that disposal notices will be given to all holders whose foreign shares became registered in their name or which became coded as 'foreign', on the day that the aggregate number of foreign coded registrations on the relevant register exceeded the limit and on each succeeding day whilst the limit is exceeded. The position is similar with respect to foreign instalment receipts under the procedures.

There are special provisions to prevent disposal notices being given in respect of foreign instalment receipts issued in the Telstra 2 Share Offer and in the event disposal notices would, but for these provisions, have been given in respect of such foreign instalment receipts ('offer instalment receipts') such notices shall not be given. Disposal notices may be given to all holders whose foreign shares were registered in their names (or became coded as foreign) on the day prior to the date of registration of the offer instalment receipts in the names of the holders, and so on, until a situation is reached where the number of foreign shares and

instalment receipts in respect of which disposal notices have not been given is below the aggregate limit.

The recipient of a disposal notice is required to divest the shares or instalment receipts that are the subject of the notice before the divestment date specified in the notice. The divestment date will be the fifth business day of the month next following the month in which the disposal notice was issued unless that would be less than 30 days after the date of issue of the notice, in which case the divestment date will be the fifth business day of the next month. However, in relation to registrations of shares or instalment receipts in the 30 days after instalment receipts are first traded on the ASX in 1999, the divestment date will be the day six months after first trading.

No divestment will be required on a divestment date if foreign shares or instalment receipts, as shown on the relevant register on that date do not exceed the aggregate limit. If a disposal notice is not complied with, the constitution and the Trust Deed contain provisions empowering Telstra or the Trustee (as relevant) to sell the relevant shares or instalment receipts on behalf of the holder on or after the relevant divestment date (and the holder will lose the ability to transfer the shares or instalment receipts itself after that date).

In cases where the Trustee sells instalment receipts, if the Trustee has been notified that a foreign holder is not a resident of Australia for Australian taxation purposes or if no notification has been received but the foreign holder has a registered address outside Australia, the Trustee may retain from the proceeds of sale and remit to the Australian Taxation Office the tax due and payable by the instalment receipt holder on any gain arising from the disposal of instalment receipts.

Transfers among foreign holders and Interim ADR or ADR holders

Special arrangements apply to certain transfers from one foreign holder to another.

Disposal notices will not be given in respect of:

- Foreign shares or instalment receipts acquired from the international underwriters on closing of the international offering;

- Foreign shares or instalment receipts acquired under a particular form of ASX ‘special crossing’ for transfers among foreign holders. Shares or instalment receipts can only be transferred under such a special crossing if they are not, and are not liable to become, the subject of a disposal notice; or
- Shares or instalment receipts registered on the New Zealand branch share or instalment receipt register or represented by ADRs or interim ADRs, though shares or instalment receipts may only be transferred onto the New Zealand branch share or instalment receipt register or ADR or interim ADR programme if they are not, and are not liable to become, the subject of a disposal notice.

NZSE trading will be only in instalment receipts or shares registered on the New Zealand branch instalment receipt or share register.

All instalment receipts and shares deposited in the interim ADR and ADR facilities will be treated as foreign.

Holders of interim ADRs and ADRs are subject to the individual limit, and must notify the interim depository or the depository as applicable, if any of the interim ADRs or ADRs they hold form part of a ‘stake’ which breaches the individual limit. Where the individual limit is breached, the interim depository or the depository may be required to divest the relevant shares, and the corresponding interim ADRs or ADRs may be cancelled. The interim deposit agreement and the deposit agreement contain provisions permitting the interim depository and the depository to obtain, and supply to Telstra and the Trustee, information relevant in monitoring and enforcing the foreign ownership limits.

The above summary does not purport to be complete and is subject to, and qualified by reference to the Trust Deed, the constitution, the rules and the procedures and the Telstra Act. Copies of the Trust Deed, the constitution, the rules and procedures and the Telstra Act are available for inspection through the Company secretary, Telstra Centre, 242 Exhibition Street, Melbourne, Victoria 3000, during normal working hours.

Definitions

‘**Foreign person**’ is defined in the Telstra Act as:

- a foreign citizen (defined in the Telstra Act as a non-Australian citizen) not ordinarily resident in Australia (a ‘foreign citizen’);
- a company where a foreign citizen or a foreign company (defined in the Telstra Act as an overseas incorporated company) holds a particular type of stake in the company of more than 15%;
- a company where a group of two or more persons, each of whom is either a foreign citizen or a foreign company holds, in total, a particular type of stake in the company of more than 40%;
- the trustee of a trust estate in which a foreign citizen or a foreign company holds a substantial interest (essentially a 15% beneficial interest, including such foreign citizen’s or foreign company’s associates’ interests); or
- the trustee of a trust estate in which two or more persons, each of whom is either a foreign citizen or a foreign company, hold an aggregate substantial interest (essentially a 40% beneficial interest including each such foreign citizen’s or foreign company’s associates’ interests).

A ‘**particular type of stake**’ in any company held by any person is defined as the aggregate of the ‘direct control interests’ of that type in that company held by that person and that person’s associates.

An ‘**associate**’ of a person is defined to include:

- a wide range of direct and indirect relationships such as relatives, partners, employees and employers of the person;
- if the person is an employee of an individual, other employees of the individual;
- if the person is a company, an officer of the company and, if the person is an officer of a company, the company and other officers of the company;
- the trustee of a discretionary trust where the person or an associate of the person is a beneficiary;
- a company whose directors are accustomed, or under an obligation, to act in accordance with the wishes, directions or instructions of the person;

- a company where the person is accustomed, or under an obligation, to act in accordance with the company's wishes, directions or instructions;
- a company in which the person has a particular type of stake of at least 15% or, if the person is a company, a person who holds a particular type of stake of at least 15% in it; and
- an associate of an associate of the person.

For purposes of determining foreign ownership of any company, a person's associates also include any other person with whom the person has an arrangement enabling the person to jointly exercise voting power or certain types of power over, or over the appointment of, the board of directors of such company.

'**Group**', in relation to the foreign ownership limits, includes one person alone or a number of persons, even if they are not in any way associated with each other or acting together.

A '**direct control interest**' of any person in any company is defined as the equivalent percentage of:

- the total paid-up share capital of the company in which the person holds an interest;
- the voting power in the company that the person is in a position to control;
- the total rights to distributions of capital or profits of the company to its shareholders on a winding up held by the person;
- the total rights to distributions of capital or profits of the company to its shareholders, other than on a winding up, held by the person; and
- traced interests held via interposed entities.

'**Interest in a share**' is defined to include:

- legal or equitable interests in a share;
- certain rights under a contract to purchase a share;
- options to acquire a share or an interest in a share;
- a right to have a share transferred to the person's order; and
- an entitlement to acquire a share or an interest in a share or to exercise or control the exercise of a right attached to the share.

However, certain interests in shares are disregarded, including:

- certain interests of lenders under or following enforcement of security arrangements;
- interests of a trustee or manager of, or a custodian for, a unit trust or certain Australian complying or exempt superannuation funds if such trustee, manager or custodian reasonably believes that foreign persons hold beneficial interests in less than 40% of the capital and income in the trust or fund;
- interests held by an Australian registered life insurance company or a custodian for it, in respect of a statutory fund, if the company reasonably believes that less than 40% of policyholder liabilities of the fund are owed to foreign persons;
- interests held by nominees, custodians or depositaries, or brokers acting on clients' instructions in the ordinary course of business, provided in each case the holder has no beneficial interest or discretionary voting authority in respect of the underlying shares;
- certain interests held by the international underwriters and their related corporations;
- shareholder interests in companies other than Telstra which are not 'foreign persons' under the *Foreign Acquisitions and Takeovers Act 1975*;
- interests held by persons who are not foreign persons and do not have any substantive foreign associates (that is, persons who directly or indirectly control them, with whom they act in concert or in accordance with whose wishes, instructions or directions they are obliged or accustomed to act);
- interests held by any person to the extent that, after such interests have been included in the 'stake' of that person and any of its substantive foreign associates, such interests would also be included in the stake of a non-substantive associate of the person; and
- interests held by any person who is not a foreign person to the extent that, in determining the total of the stakes of a group of foreign persons, such interests would be counted more than once for that purpose.

References to 'interests' in shares exclude disregarded interests.

Foreign Acquisitions and Takeovers Act

The Foreign Acquisitions and Takeovers Act of Australia (the Takeovers Act) applies to any acquisition of an interest in the shares of an Australian company with total assets over \$5 million which results in any foreign person and its associates controlling 15% or more, or all foreign persons and their associates in aggregate controlling 40% or more, of shares or voting power. Any proposed acquisition which would result in these thresholds being exceeded should be notified to, and are subject to review and approval of, the Treasurer in advance of the acquisition.

Foreign ownership status

At 26 August 1999 the number of Telstra shares recorded as foreign on the Telstra register was 7.4% of the total number of issued Telstra shares.

16 Taxation

The Australian Taxation Office has provided an indicative opinion confirming the Australian income taxation implications of investment in instalment receipts and shares as summarised in the following discussion.

The tax profile of each investor will determine the applicable Australian income taxation implications for that investor. For example, some investors, such as financial institutions, may hold their investments on income account rather than on capital account, in which case the comments below concerning capital gains implications will not be applicable.

Telstra employees participating in the special employee offer will also have a different tax treatment, which is explained in the Employee Offer Document.

This discussion is based on the law in force at the date of the Public Offer Document. However, the Government is currently conducting a review of business taxation in Australia and recently received an independent report setting out recommendations for consideration. No policy decisions in relation to the review of business taxation have been made as at the date of the Public Offer Document but policy decisions may be taken and announced by the Government in the near future. Once policy decisions are made, both the House of Representatives and the Senate would need to pass

appropriate legislation to give effect to the policy adopted. The legislation finally passed, if any, may also have an effect on individual investors. There is a risk that changes to Australian business taxation may adversely affect Telstra and investors.

Treatment of instalment receipts

Taxation of distributions

The income taxation treatment of distributions to holders of instalment receipts will mirror the income taxation treatment of distributions to holders of shares.

While the distributions on instalment receipts are strictly speaking trust distributions, they will retain the character of the dividends on the underlying shares and will be treated in the same way for Australian income tax purposes as dividends on the underlying shares.

An 'imputation system' operates in Australia in respect of company income tax. In the absence of an exemption or concession, Australian resident companies are liable for Australian income tax on their taxable income at the corporate rate (currently 36%). The payment of Australian income tax by Australian companies generates a 'franking credit' which, when the company pays a dividend to shareholders, generally flows through to resident shareholders.

Under recently enacted changes to the income tax law, income tax paid on income derived when a company is wholly-owned by the Commonwealth, such as Telstra was, will generate an 'exempting credit' rather than a 'franking credit'. Payments of Australian income tax by Telstra attributable to periods after it ceases to be wholly-owned by the Commonwealth will generate 'franking credits' rather than 'exempting credits.' Telstra has arrangements with the Commonwealth in relation to the use of exempting credits.

Distributions paid to Australian resident holders of instalment receipts will generally be included in the assessable income of those holders of instalment receipts. It should be shown at the dividend income label of the return of income.

Where the dividend underlying the distribution is a franked dividend, the franking credit associated with that dividend may generally also be included in the assessable income of Australian resident individual shareholders.

A rebate of tax equivalent to the franking credit (known as a ‘franking rebate’) is available only to Australian resident individual shareholders. Generally, exempting credits will not carry tax credits for resident shareholders.

Australian resident corporate shareholders may be entitled to the intercorporate dividend rebate and any franking credit attaching to the dividend may add to the corporate shareholder’s franking account balance.

Under recently enacted changes to the income tax law, there are circumstances where an investor may not be entitled to the benefit of franking credits. The application of these rules depends on the investor’s own circumstances including the period for which the instalment receipts are held and the extent to which the investor, if a resident, is ‘at risk’ in relation to their investment.

It is unlikely that Telstra will be able to fully frank declared ordinary dividends out of fiscal 2000 earnings. At present, it is expected that Telstra will be able to fully frank declared ordinary dividends out of fiscal 2001 earnings. However, no assurance can be given as to the level of franking of ordinary dividends. This is because it depends upon, among other factors, Telstra’s earnings, Government legislation and the taxation position of Telstra.

Taxation of capital gains

An instalment receipt is an interest in an Australian resident trust estate. A resident instalment receipt holder will generally be required to include in their assessable income, capital gains realised on the sale of instalment receipts (after allowing for any capital losses and, in certain cases, after indexation for inflation if the instalment receipt is held for 12 months or more).

The capital gain will generally be the difference between the arms length consideration in respect of disposal of the instalment receipt and the cost base (which, under current legislation, is indexed for inflation where the asset is held for 12 months or more). The cost base of an instalment receipt will include the consideration on acquisition and incidental costs associated with acquisition (including for example the fees and commissions of the Syndicate). Changes affecting the taxation of capital gains could result from the review of business taxation referred to earlier.

Transfer of shares from instalment receipt trustee following payment of final instalment

The payment of the final instalment and transfer of legal title in the share from the instalment receipt trustee to the investor does not, under current legislation, constitute a disposal of an asset for the purposes of the Australian income tax on capital gains, and does not give rise to any Australian income tax liability.

Failure to pay final instalment

The failure to pay the final instalment and subsequent sale by the instalment receipt trustee of the underlying share may have Australian income tax implications for investors. Investors should seek their own advice in relation to this issue.

Treatment of shares

Taxation of dividends

An ‘imputation system’ operates in Australia in respect of company income tax. In the absence of an exemption or concession, Australian resident companies are liable for Australian income tax on their taxable income at the corporate rate (currently 36%). The payment of Australian income tax by Australian companies generates a ‘franking credit’ which, when the company pays a dividend to shareholders, generally flows through to resident shareholders.

Under recently enacted changes to the income tax law, income tax paid on income derived when a company is wholly-owned by the Commonwealth, such as Telstra was, will generate an ‘exempting credit’ rather than a ‘franking credit’. Payments of Australian income tax by Telstra attributable to periods after it ceases to be wholly-owned by the Commonwealth will generate ‘franking credits’ rather than ‘exempting credits.’ Telstra has arrangements with the Commonwealth in relation to the use of exempting credits.

Dividends paid to Australian resident shareholders will generally be included in the assessable income of those shareholders. It should be shown at the dividend income label of the return of income.

Where the dividend is a franked dividend, the franking credit associated with that dividend may also be included in the assessable income of Australian resident individual shareholders.

A rebate of tax equivalent to the franking credit (known as a 'franking rebate') is available only to Australian resident individual shareholders. Generally, exempting credits will not carry tax credits for resident shareholders.

Australian resident corporate shareholders may be entitled to the intercorporate dividend rebate and any franking credit attaching to the dividend may add to the corporate shareholder's franking account balance.

Under recently enacted changes to the income tax law, there are circumstances where an investor may not be entitled to the benefit of franking credits. The application of these rules depends on the investor's own circumstances including the period for which the instalment receipts and shares are held and the extent to which the investor, if a resident, is 'at risk' in relation to their investment.

It is unlikely that Telstra will be able to fully frank declared ordinary dividends out of fiscal 2000 earnings. At present, it is expected that Telstra will be able to fully frank declared ordinary dividends out of fiscal 2001 earnings. However, no assurance can be given as to the level of franking of ordinary dividends. This is because it depends upon, among other factors, Telstra's earnings, Government legislation and the taxation position of Telstra.

Taxation of capital gains

A resident shareholder will generally be required to include in assessable income, capital gains realised on the sale of shares (after allowing for any capital losses and, in certain cases, after indexation for inflation).

The capital gain will generally be the difference between the arms length consideration in respect of disposal of the share and the cost base. The cost base of the share may be indexed for inflation. Indexation is only available for the first instalment from the date of allocation and for the final instalment from the date of receipt by the trustee of the payment. The asset must be held for 12 months or more for indexation. The cost base of the share will include the consideration in respect of the acquisition and incidental costs associated with acquisition (including for example the fees and commissions of the Syndicate). Changes affecting the taxation of capital gains could result from the review of business taxation referred to earlier.

Good and Services Tax

Pursuant to the terms of the Goods and Services Tax (GST) law as currently in force, GST will not be payable on the issue of instalment receipts, payment of the first instalment or the transfer of shares to you on payment of the final instalment. GST will not be payable on any other transfer of instalment receipts or shares.

Stamp duty

No stamp duty will be payable by you on the issue of instalment receipts, payment of the first instalment, or the transfer of shares to you on payment of the first instalment, or the transfer of shares to you on payment of the final instalment. All other transfers of instalment receipts and shares may attract Australian stamp duty applicable to marketable securities. If you trade on the ASX through a broker, stamp duty is payable as to 0.15% by the seller and 0.15% by the purchaser. Generally, trading of shares and instalment receipts on the NZSE and otherwise on a recognised stock exchange located outside Australia where the transfer is made to a foreign resident will not be subject to stamp duty. If you trade instalment receipts or shares off-market, stamp duty will generally be payable in the Australian Capital Territory by the purchaser at the rate of 0.3%. Stamp duty is calculated on the higher of the sale price or the value of the marketable security.

17 Indemnities of Directors, Officers and Employees

Corporations Law of Australia

Section 241 of the Corporations Law provides that a company or a related body corporate must not (i) indemnify a person who is or has been an officer or auditor of the company against a liability incurred by the person as such an officer or auditor or (ii) exempt such a person from such a liability. An officer for the purposes of this provision includes a director, secretary or executive officer.

Section 241(2) of the Corporations Law provides that the prohibition in section 241(1) does not prevent a person from being indemnified against a liability to another person (other than the company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

Section 241(3) of the Corporations Law provides that the prohibition in section 241(1) does not prevent a person from being indemnified against a liability for costs and expenses incurred by the person (i) in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted or (ii) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law.

Section 241A(1) of the Corporations Law provides that a company or its related bodies corporate must not pay, or agree to pay, an insurance premium for a contract insuring a person who is or has been an officer or auditor of the company against a liability incurred by that person as such an officer or auditor which arises out of conduct involving a wilful breach of duty to the company, or an improper use of inside information or position. Section 241A(3) of the Corporations Law provides that the prohibition in Section 241A(1) does not apply to a liability for costs and expenses incurred by that person in defending proceedings, whether civil or criminal and whatever their outcome.

Telstra's constitution

Telstra's constitution provides that each of Telstra's officers (defined below) is indemnified by Telstra against:

- any liability incurred on or after 15 April 1994 in their capacity as an officer to another person (except to Telstra or its related bodies corporate) unless the liability arises out of conduct involving a lack of good faith; and
- costs and expenses incurred in their capacity as an officer, in defending proceedings, whether civil or criminal, in which judgment is given in favour of the officer or in which the officer is acquitted, or in connection with an application in relation to such proceedings in which a court grants relief to the officer under the Corporations Law.

These indemnities apply to the maximum extent permitted by law.

Telstra's constitution also provides that officers and employees (defined below), appointed at Telstra's request to be a director (or an alternate director) of a company

which is not one of Telstra's related bodies corporate, are indemnified by Telstra in respect of any liability incurred in that capacity as if that liability had been incurred in the capacity of an officer, subject to any corporate policy made by Telstra's chief executive officer. Telstra may also indemnify the following persons in some circumstances: (i) employees, subject to any corporate policy of the chief executive officer; and (ii) an outside officer (defined below), subject to the Corporations Law.

For the purposes of these provisions:

- an 'officer' means a person who is or has been a director, secretary or executive officer of:
 - Telstra or one of its wholly-owned subsidiaries; or
 - any other related body corporate of Telstra if the person is also a director or employee of Telstra or one of Telstra's wholly-owned subsidiaries;
- an 'outside officer' means a person who is or has been a director, secretary or executive officer of one of Telstra's related bodies corporate (other than one of Telstra's wholly-owned subsidiaries) while not an employee or director of Telstra or one of its wholly-owned subsidiaries; and
- an 'employee' means a person who is or has been an employee of Telstra or one of its related bodies corporate who is not an officer or outside officer.

Telstra may pay an insurance premium for a contract insuring a person who is or has been a director, secretary or executive officer of Telstra or one of Telstra's related bodies corporate against any liability incurred by that person in such a capacity which does not arise out of conduct involving a wilful breach of duty in relation to Telstra or a contravention of sections 232(5) or (6) of the Corporations Law (improper use of inside information or of position) and against any liability for costs and expenses incurred by that person in defending proceedings relating to that person's position with Telstra, whether civil or criminal, and whatever their outcome.

Deeds of indemnity in favour of directors, officers and employees

Telstra has executed deeds of indemnity in favour of:

- its directors (including past directors);
- its executive officers (other than its directors) and certain employees generally; and
- employees (including executive officers) involved in the formulation, entering into or carrying out, of a Telstra sale scheme (as defined in the Telstra Act).

Each of these deeds provides an indemnity on substantially the same terms as the indemnity provided in Telstra's constitution in favour of officers. The indemnity in favour of Telstra directors also gives directors a right of access to board papers and requires Telstra to maintain insurance cover for the directors. The indemnity in favour of employees relating to Telstra sale schemes is confined to liabilities incurred as an employee in connection with the formulation, entering into or carrying out, of a Telstra sale scheme.

Directors' and officers' insurance

Telstra maintains a directors' and officers' insurance policy which, subject to some exceptions, provides worldwide insurance cover to past, present or future directors, secretaries or executive officers of Telstra and its subsidiaries. The directors' and officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured. Telstra does not have insurance cover for liabilities in connection with the Telstra 2 Share Offer.

18 Indemnities Provided by the Commonwealth of Australia

The Commonwealth of Australia provided certain indemnities to Telstra, its directors, Mr Robert Mansfield and certain of its executives in connection with the Telstra 2 Share Offer. A summary, in general terms, of these indemnities is set out below.

The indemnity in favour of Telstra directors indemnifies them against liabilities arising by reason of acts or omissions in connection with the Telstra 2 Share Offer other than liabilities arising from acts or omissions which are inconsistent with certain provisions of requests for assistance made by the Minister for Finance and Administration under Section 8AQ of the Telstra Act.

The indemnity in favour of Mr Bob Mansfield indemnifies him against liabilities arising by reason of acts or omissions in connection with the Telstra 2 Share Offer.

The indemnity in favour of certain executives indemnifies those persons against liabilities arising by reason of their signing offer documentation or participating in roadshows in connection with the Telstra 2 Share Offer other than liabilities arising from acts or omissions which are inconsistent with certain provisions of requests for assistance made by the Minister for Finance and Administration under Section 8AQ of the Telstra Act.

The indemnity in Telstra's favour indemnifies Telstra against liabilities arising in connection with the Telstra 2 Share Offer other than liabilities arising from:

- acts or omissions which are inconsistent with certain provisions of requests for assistance made by the Minister for Finance and Administration under Section 8AQ of the Telstra Act; and
- Telstra's existing obligations relating to the preparation and filing of Telstra's Annual Report and continuous disclosure documents.

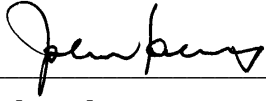
None of the above indemnities given by the Commonwealth apply where the person to be indemnified acts otherwise than in good faith or acts with malice, fraud or recklessness or, in the case of Telstra, wilful negligence or, in the case of Mr Robert Mansfield, with malice or fraud.

Appendix 2 – Glossary

ABN AMRO Rothschild	ABN AMRO Corporate Finance Australia Limited and Rothschild Australia Securities Limited trading as ABN AMRO Rothschild
ACA	Australian Communications Authority
ACCC	Australian Competition and Consumer Commission
Board	the board of directors of Telstra
Commonwealth	the Commonwealth of Australia and where the context so permits, the Government of Australia
Commonwealth's Financial Adviser	Goldman Sachs Australia LLC
Communications Minister	the Minister for Communications, Information Technology and the Arts
Credit Suisse First Boston	Credit Suisse First Boston Australia Limited
eligible employee	a Telstra employee who is eligible to participate in the Telstra employee offer as set out in the Employee Offer Document
Financial Report	the consolidated financial report of Telstra
institution	a person to whom an 'excluded issue' may be made under section 66(2)(n) of the Corporations Law
Institutional Applicant	an applicant who is an Australian or New Zealand resident institution or a Stockbroker and includes an applicant who is treated as applying under the Institutional Offer
Institutional Offer	the invitation to Stockbrokers and to Australian and New Zealand institutions described in the Appendices
International Underwriting Agreement	the international underwriting agreement between the Commonwealth, Telstra, and the international underwriters expected to be dated on or around 16 October 1999
J. B. Were & Son	Were Stockbroking Limited, trading as J. B. Were & Son
Joint Global Coordinators	ABN AMRO Rothschild, Credit Suisse First Boston and J. B. Were & Son
member of the Australian public	a natural person 18 years old or over, without a legal disability or a company (including a person acting as trustee or for an unincorporated body) resident in Australia, but excluding an Institutional Applicant
Public Applicant	an applicant who is a member of the Australian public, including a shareholder of Telstra, a client of an Australian Stockbroker and an eligible employee, but excluding an applicant who is treated as applying under the Institutional Offer
Public Offer Document (or offer document)	the Public Offer Document dated 6 September 1999 relating to the Telstra 2 Share Offer
Stockbroker	a member organisation of the ASX or a New Zealand stockbroker
Telstra or the Company	Telstra Corporation Limited ACN 051 775 556 and/or its controlled entities, as appropriate
Telstra 2 Share Offer	the offer of up to 2,133,288,285 shares in Telstra by the Commonwealth
Telstra Act	<i>Telstra Corporation Act 1991</i> (Cth)
Trust Deed	the Trust Deed dated 5 September 1999 between the Commonwealth and the Trustee
Trustee	Telstra Instalment Receipt Trustee Limited ACN 080 176 334


Seller's and Directors' Authorisation

This document is authorised by the Commonwealth and is signed for and on behalf of the Commonwealth by:



John Fahey
Minister for Finance and Administration

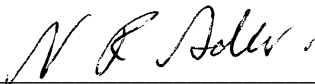
This document is authorised and signed by all the directors of Telstra:



David Hoare



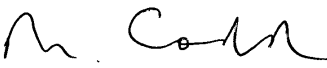
John Ralph



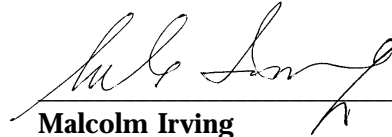
Ross Adler



Anthony Clark



Michael Codd



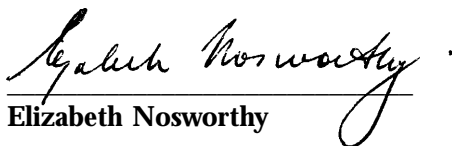
Malcolm Irving



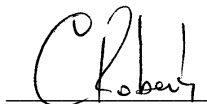
Donald McGauchie



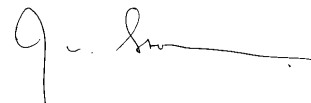
Cecilia Moar



Elizabeth Nosworthy



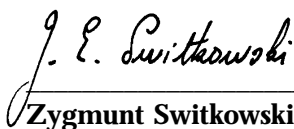
Christopher Roberts



John Stocker

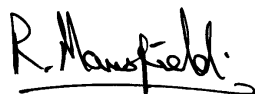


Stephen Vizard



Zygmunt Switkowski

This document is signed by Robert Mansfield, a proposed director of Telstra:



Robert Mansfield

Directory

Joint Global Coordinators

ABN AMRO Rothschild
Level 24, 255 George Street
Sydney NSW 2000

Credit Suisse First Boston
Level 27, 101 Collins Street
Melbourne Vic 3000

J. B. Were & Son
Level 17, 101 Collins Street
Melbourne Vic 3000

Legal Adviser to the Joint Global Coordinators

Allen Allen & Hemsley/Arthur Robinson & Hedderwicks
2 Chifley Square, Sydney NSW 2000
530 Collins Street, Melbourne Vic 3000

Australian Joint Lead Managers

J. B. Were & Son
Level 17, 101 Collins Street
Melbourne Vic 3000
1800 835 896
www.jbwere.com.au

Ord Minnett Corporate Finance Limited
Level 25, Grosvenor Place, 225 George Street
Sydney NSW 2000
1300 728 787
www.ords.com.au

Australian Co-lead Managers

ABN AMRO Rothschild
Level 24, 255 George Street
Sydney NSW 2000
1800 450 005
www.au.abnamro.com

Credit Suisse First Boston
Level 27, 101 Collins Street
Melbourne Vic 3000
(03) 9280 1888, (02) 8205 4433
www.csfaep.com.au

Macquarie Equities Limited
1 Martin Place
Sydney NSW 2000
(02) 9237 3434
www.macquarie.com.au

Merrill Lynch International
(Australia) Limited
Level 49, MLC Centre
19-29 Martin Place
Sydney NSW 2000
(02) 9226 5555

Salomon Smith Barney
Australia Securities Pty Limited
Level 16, Grosvenor Place
225 George Street
Sydney NSW 2000
1800 222 262
www.ssmb.com.au

Warburg Dillon Read Australia Limited
Level 25, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
1800 644 983

Australian Co-managers

BNP Equities (Australia) Limited
Level 12, 12 Castlereagh Street
Sydney NSW 2000
(02) 9236 0888

Hartley Poynton Limited
Level 7, Hartley Poynton Building
141 St George Terrace
Perth WA 6000
1800 787 001
www.poyntons.com.au
Regional Specialist

Morgan Stockbroking Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane Qld 4001
1800 777 946
www.morgans.com.au
Regional Specialist

The Commonwealth of Australia

Office of Asset Sales and IT Outsourcing
 Level 2, Burns Centre
 28 National Circuit
 Forrest ACT 2603

Legal Adviser to the Commonwealth

Freehill Hollingdale & Page
 Level 48
 101 Collins Street
 Melbourne Vic 3000

Financial Adviser to the Commonwealth

Goldman Sachs Australia LLC
 Level 48, Governor Phillip Tower
 1 Farrer Place
 Sydney NSW 2000

Accounting Adviser to the Commonwealth

PricewaterhouseCoopers
 333 Collins Street
 Melbourne Vic 3000

Telstra Corporation Limited

Registered Office
 Level 41
 242 Exhibition Street
 Melbourne Vic 3000
Company Secretary Michael Montalto

Legal Adviser to Telstra

Mallesons Stephen Jaques
 Level 28, Rialto
 525 Collins Street
 Melbourne Vic 3000

Instalment Receipt and Share Registrar

Perpetual Registrars Limited
 Level 4
 333 Collins Street
 Melbourne Vic 3000

Instalment Receipt Trustee

Telstra Instalment Receipt
 Trustee Limited
 c/- Morisons Solicitors
 Level 1, 15 Torrens Street
 Braddon ACT 2612

Interests of Advisers

Additional Information

Description of
Shares and
Constitution

Interests of
Directors

Glossary

**Telstra 2
Share
Offer**

